Midvaal Local Municipality - GT422
Annual Financial Statements
for the year ended 30 June 2019

General Information

Legal form of entity	Municipality Municial demarcation code - GT 422 - Governed by the MFMA (Act 56 of 2003)
Executive Mayor	**B.M. Baloyi**
Councillors	**Speaker:** F.W. Peters **Chief Whip:** P.C. Pretorius **Mayoral Committee:** P. Hutcheson-Pretorius A. Tsukudu (1 July 2019 - 30 April 2019) H.P. Oosthuizen P.J. Teixira M.I. Motsamai **Councillors:** J. Mazibuko L. Parsonson M. Myburgh M.C. Kruger P. Ramushu M.L. Modikeng M.B.Tabo M.S. Schoeman M.G.I. Ngcobo J.M. Dlangamandla W.F. De Agrella M.M. Ndebele A. Tsukudu (as from 1 May 2019) T.C. Sikhosana S. Janse van Rensburg M.M. Mahlangu J. Mabaso M.J. Mphasawe C. Pypers S. Muirhead B. Hlengwa L.T.H. Visser
Grading of local authority	Grade 4 Local Municipality - In terms of Remuneration of Public Office Bearers Act, Act 20 of 1998
Accounting Officer	A.S.A De Klerk M.S. Mosidi (Acting)
Chief Finance Officer (CFO)	K. Desai (Acting)
Registered office	Civic Centre 25 Mitchell Street Meyerton

General Information

	Gauteng 1961
Postal address	P O Box 9 Meyerton Gauteng 1960
Bankers	ABSA Bank Limited
Attorneys	Brian Blignaut / Cheadle Thompson & Hayson / Douglas Langley Bennett / Klopper Jonker Attorneys / Malherbe Rigg & Ranwell / Mills & Groenewald / Mkhabela Huntley Adekeye Inc / Meise Nkaiseng & Conveyancers / Moodie & Roberston / Nozuko Nxusani Inc / Poswa Inc / Ramushu Mashile Twala Inc / Salijee du Plessis van der Merwe Inc / Taleni-Godi

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The reports and statements set out below comprise the annual financial statements presented to the council:

COGTA	Co-operative Governance and Traditional Affairs
DBSA	Development Bank of South Africa
DSCAR	Department of Sport, Arts, Culture and Recreation
GDARD	Gauteng Department of Agriculture and Rural Development
GRAP	Generally Recognised Accounting Practice
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of the Mayoral Council
SALGA	South African Local Government Association

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 9 to 97, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2019 and were signed on its behalf by:

M.S. Mosidi
Acting Accounting Officer

Friday, 30 August 2019

Performance and Audit Committee Annual Report

The Chairperson of the Committee under section 4.3.2 of their charter is required to annually report to council by means of a report and /or in person summarising the activities, recommendations and decisions of the Committee during the previous financial year.

The Committee is delighted to table its annual report for the financial year ended 30 June 2019.

Performance and Audit Committee members' attendance of the meetings

The Committee consists of the five external non executive members listed hereunder and they are required to meet a minimum of at least four times per financial year.

Members Attendance

Audit Committee Meetings: 2018/2019 Financial Year

Members		30 Aug 2018	26 Nov 2018	21 Feb 2019	31 May 2019	28 Jun 2019 Special AC	Attendance
Mr T.N Ntho	Chairperson	Present	Present	Present	Present	Present	100%
Mrs M.C. Mokoena	Member / chairperson Risk Committee	Present	Present	Present	Present	Present	100%
Mr F. Mpofu	Member	Present	Present	Present	Present	Present	100%
Mrs A.C. MacDonald	Member	Present	Present	Present	Apology	Present	80%
M M. Khendla	Member	Apology	Present	Present	Present	Present	80%

Performance and Audit Committee responsibility

The Committee complied with its responsibility to play an oversight role and reviewed the following:

1. Internal financial control and internal audits.
2. Risk Management.
3. The adequacy, reliability and accuracy of financial reporting and information.
4. Accounting policies.
5. Performance Management.
6. Effective governance.
7. Compliance with the MFMA, and any other relevant legislation.
8. Performance evaluation and
9. Any other issues referred to it by the Council.

The Committee also reports that it has adopted appropriate terms of reference in the form of the Performance and Audit Committee Charter. The Committee has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control and information and communication technology governance:

Performance and Audit Committee Annual Report

In compliance with MFMA and the recommendation from King 111 report on corporate governance requirements, Internal Audit provided the Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective action and suggested enhancements to the controls and processes.

The Committee has observed that the overall control environment of the Municipality has shown a significant improvement during the year under review. However some deficiencies were identified in the Information and Communication Technology Department.

The Council and Management committed to an action plan to address previously reported Auditor General and internal audit findings. This plan yielded the positive results that the Committee experienced in the past and current financial year.

Internal Audit

The Committee is satisfied that the Internal Audit plan represented a clear alignment with the key risks, has adequate information systems coverage, and a good balance across the different categories of audits; i.e. risk based, compliance, performance and follow-up audits.

The Committee has noted considerable improvement in the communication between the Senior Management, the AGSA and Internal Audit Services which has strengthened the co-operative governance initiatives within the Municipality.

The Committee is satisfied with the content and quality of quarterly reports prepared and issued by Internal Audit Services for the Municipality during the year under review. The Committee wishes to stress that in order for the Internal Audit Services to operate at an optimal levels as expected by the Committee, the strength in their forensic arm be addressed to further enhance its value contribution.

Risk Management

The Committee is proud to report the progress made on reviewing both strategic and operational risk registers, the follow-ups done on existing and emerging risks were on time and in most of the cases effective. The Committee can also attest to the existence of the functioning structures of the enterprise risk management, namely the appointed risk champions, the risk committee under the chairmanship of an independent member of Performance and Audit committee. The risk committee meets quarterly and immediately thereafter reports to the Performance and Audit committee.

The Committee recommends that the following be prioritised in the 2019/2020 financial year:

1. The risk appetite and risk tolerance of the Municipality be approved by Council.

2. The annual review of the risks should include the fraud risks.

3. Management to formalise a combined assurance framework policy and implementation plan.

4. Management to support all management action plans with portfolio of evidence when mitigating identified risks.

5.The Municipality should also consider capacitating the unit with two more personnel to further enhance its value contribution.

Performance Management

1. The Committee did review and evaluate the implementation of the performance management system in order to find out if the system reflects the Municipality' purpose and objectives

2. The Committee did review and recommend on the use of appropriate targets and that in future the reviewed targets be costed accordingly to indicate the amount of the revised budget for those targets.

3. The Committee can proudly say the Municipality is always in compliance with the performance management and reporting systems.

Performance and Audit Committee Annual Report

The quality of quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The Committee is satisfied with the content and quality of financial quarterly reports prepared and submitted by the Accounting Officer of the Municipality during the year under review and confirms that the reports were in compliance with the statutory reporting framework.

Evaluation of the Annual financial Statements

The Performance and Audit Committee has;

1. Reviewed and discussed the Audited Annual Financial Statements to be included in the Annual Report with the AGSA and the Municipal Manager.

2. Reviewed the audit report of the AGSA.

3. Reviewed the AGSA'S Management report and management's response thereto.

4. Reviewed the Municipality's compliance with legal and regulatory provisions and

5. Reviewed significant adjustments resulting from the audit.

The Committee concurs with and accepts the AGSA's conclusion on the Annual Financial Statements, and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the AGSA.

Anti fraud and Anti corruption sub-committee

The Municipality did well in trying to curb issues related to fraud and corruption by following the MFMA and its regulations which clearly stipulate that matters such as incurring unauthorised, irregular as well as fruitless and wasteful expenditure, possible abuse of SCM systems and allegations of financial misconduct should be investigated.

The Committee needs to highlight the weakness in the process of investigating the cases related to fraud, corruption and maladministration. It is important that at all times the municipality should strive towards achieving value for money in everything done. The Committee will like to recommend that the forensic arm for the Municipality be located under Risk Management department, this will improve the quality of the reports and further address the issue of work load on Internal Audit Services.

This can be achieved by allocating necessary budget in Risk Management department to allow the Chief Risk Officer to appoint two or three service providers specialising with forensic investigations. The two or three service providers can be utilised as and when needed.

One-on-One Meeting with the Municipal Manager

The Committee has met with the Municipal Manager of the Municipality to address unresolved issues.

One-on-One Meeting with the Executive Mayor

Both the chairperson of the performance and audit committee as well as the risk committee had standing meetings with the Executive Mayor to address issues related to political direction of the Municipality in order that both chairs understand and could direct the committees in the right direction. The two chairs also apprise the Executive Mayor on the performance of the Municipality, and highlight the value adding issues.

Auditor General of South Africa

The Performance and Audit Committee has met with AGSA to ensure that there are no unresolved issues between them and the management of the Municipality and tried also to strengthen the relations between the two parties without compromising the independent of the AGSA.

Performance and Audit Committee Annual Report

Chairperson's closing remarks

I would like to take this opportunity to thank the Municipality stakeholders who play an important role in the success of this Municipality. The Council and all staff members for selfless sacrifices through the overtime and hard work they put in to attain clean audits, sincere gratitude. To my fellow Committee members for their ongoing support and commitment, I thank you. It is truly a pleasure to serve on a united Performance and Audit committee, who share the same values and objectives.

Progress is impossible without change and I believe that the changes in the past years have the basis for the future approach and better service delivery. You will continue to be the Municipality of choice and setting the benchmark in providing best service delivery and maintaining clean audits for all your communities.

Mr T.N Ntho
Chairperson of the Audit Committee

Date: 31/08/2019

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2019.

1. Review of activities

Main business and operations

The municipality is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the local government: Municipal Demarcation Act, 1998 and operates in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 37,109,554 (2018: surplus R 48,960,460).

2. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R 2,080,200,496 and that the municipality's total assets exceed its liabilities.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and Government did not announce that it intends to cease funding to the municipality.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board and the Accounting Standards Board as the prescribed framework by National Treasury.

5. Fraud and corruption - Ethics Management

Council has a very strong attitude towards legislative compliance, specifically supply chain management principles, and also the proper functioning of the Performance and Audit Committee, without councillor and/or political interference. Where required, the matters are reported to the SAPS for further investigation and prosecution.

Midvaal endeavours to be consistent and efficient in its application of disciplinary measures.

Thirty (30) reports were received via the Anti-Fraud & Corruption Hotline compared to the 34 for the previous financial year. The status is reported as follows:

Number of reports received:	30
Number of reports detected (Finalised)	5
Number of reports undetected (Finalised)	6
Under investigation	3
Referred to SAPS	4
Designated official	5
Pending	2

Accounting Officer's Report

Internal Audit	3
UIFW	2
% Detected	45

The primary transgressions are summarised as follows:

1. Misuse/Abuse of Council's assets and resources;

2. Theft of electricity / water(Illegal connections);

3. Theft of fuel / assets;

4. Bribery/Fraud/Corruption;

5. Collusion between service providers;

6. Conflict of Interest;

7. Procurement irregularities;

8. Financial Misconduct.

9.Non-adherence to the Code of Conduct for municipal staff members/Councilors.

The relevant remedial actions, according to Council's Policy, were initiated, i.e. disciplinary action, civil recovery and criminal prosecution. The financial misconduct transgressions were also considered by the Disciplinary Board and appropriate recommendations were submitted to Council and/or MPAC.

Two instances of possible irregular expenditure were referred to the Municipal Public Accounts Committee (MPAC) for consideration. It was resolved by MPAC that no official be liable for the expenditure and that the expenditure be certified as irrecoverable and be written off in terms of Section 32(2)(b) of the Local Government: Municipal Finance Management Act, Act 56 of 2003.

In some of the cases, collusion with service providers, conflict of interest and procurement irregularities, the relevant service providers were blacklisted with National Treasury and also reported to the South African Police Services for further investigation. The relevant company and its directors were registered on the database of restricted suppliers from 1 March 2018 to 29 Feb 2028. In some instances civil claims were initiated. A total of ten (13) cases are currently under investigation by the SAPS. The relevant remedial actions, according to Council's Policy, were initiated, i.e. disciplinary action and criminal prosecution. The financial misconduct transgressions were also considered by the Disciplinary Board and appropriate recommendations were submitted to Council.

Council per item C1676/08/2017 dated 24 Aug 2017 reviewed the term of the Disciplinary Board, required by the Municipal Regulations on Financial Misconduct Procedures and Criminal Procedures, 2014.

6. Accounting Officer

The accounting officer of the municipality during the year and as at the date of this report is as follows:

Name
M.S. Mosidi

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018
Assets			
Current Assets			
Cash and cash equivalents	3	292,899,588	201,984,116
Receivables from exchange transactions	4&5	107,758,181	97,140,576
Receivables from non-exchange transactions	5&6	73,133,587	54,653,662
VAT receivable	7	19,017,220	17,561,738
Employee benefit asset	21	958,378	-
Inventories	8	14,260,130	8,601,317
		508,027,084	**379,941,409**
Non-Current Assets			
Property, plant and equipment	9	1,998,693,216	2,002,940,593
Investment property	10	45,950,574	46,569,574
Intangible assets	11	2,231,400	1,027,204
Heritage assets	12	18,701	18,701
		2,046,893,891	**2,050,556,072**
Total Assets		**2,554,920,975**	**2,430,497,481**
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	13	171,910,236	117,285,447
Unspent conditional grants and receipts	14	11,852,513	1,487,795
Consumer deposits and other deposits	15	17,315,592	16,418,744
Current portion of Long term loans	16	24,022,718	20,657,274
Current portion of Finance lease obligation	17	7,623,583	7,743,692
		232,724,642	**163,592,952**
Non-Current Liabilities			
Current portion of Long term loans	16	143,534,617	145,657,335
Current portion of Finance lease obligation	17	18,889,336	16,178,399
Provisions	18	62,851,659	46,453,120
Employee benefit obligation	19&20&21	16,720,225	15,524,722
		241,995,837	**223,813,576**
Total Liabilities		**474,720,479**	**387,406,528**
		2,080,200,496	**2,043,090,953**
Accumulated surplus		2,080,200,496	2,043,090,953

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018
Revenue			
Revenue from exchange transactions			
Service charges	22	657,266,364	584,086,364
Interest revenue	23	31,155,118	23,905,917
Operational revenue	24	5,002,846	3,957,611
Sale of goods and services	25	4,268,774	24,847,548
Rental of facilities and equipment		1,323,509	1,345,019
Gain on disposal of assets	26	-	278,533
Licences and permits		-	1,021
Total revenue from exchange transactions		**699,016,611**	**638,422,013**
Revenue from non-exchange transactions			
Property rates revenue			
Property rates	27	213,757,871	194,658,467
Transfer revenue			
Transfers and subsidies	28	173,276,156	166,113,362
Fines, penalties and forfeits	29	44,424,663	34,361,800
Developers contributions	30	24,710,457	10,731,103
Total revenue from non-exchange transactions		**456,169,147**	**405,864,732**
Total revenue	31	**1,155,185,758**	**1,044,286,745**
Expenditure			
Bulk purchases	32	(388,222,746)	(347,656,651)
Employee related costs	33	(268,434,692)	(225,728,091)
Depreciation and amortisation	34	(136,385,457)	(124,113,943)
Contracted services	35	(105,521,778)	(117,705,623)
Debt impairment	36	(115,670,961)	(73,894,403)
Operating cost	37	(54,608,415)	(64,207,544)
Finance costs	38	(18,320,393)	(17,079,523)
Inventory - consumed	39	(17,036,975)	(12,939,255)
Remuneration of councillors	40	(12,459,702)	(11,725,852)
Loss on disposal of assets		(821,848)	-
Grants and subsidies paid	41	(593,237)	(275,400)
Total expenditure		**(1,118,076,204)**	**(995,326,285)**
Surplus for the year		**37,109,554**	**48,960,460**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2017	**1,994,130,493**	**1,994,130,493**
Changes in net assets		
Surplus for the year	48,960,460	48,960,460
Total changes	48,960,460	48,960,460
Balance at 01 July 2018	**2,043,090,942**	**2,043,090,942**
Changes in net assets		
Surplus for the year	37,109,554	37,109,554
Total changes	37,109,554	37,109,554
Balance at 30 June 2019	**2,080,200,496**	**2,080,200,496**

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018
Cash flows from operating activities			
Receipts			
Cash receipts from ratepayers, government and other		620,284,373	363,671,892
Cash receipts from services / charges		378,887,490	584,086,364
Interest income		18,750,717	23,905,917
		1,017,922,580	971,664,173
Payments			
Cash paid to employees		(275,796,302)	(225,728,088)
Cash paid to suppliers and other		(520,082,376)	(543,793,114)
Finance costs		(14,986,490)	(17,079,523)
		(810,865,168)	(786,600,725)
Net cash flows from operating activities	43	**207,057,412**	**185,063,448**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(119,182,300)	(140,558,315)
Proceeds from sale of property, plant and equipment	9	159,757	725,968
Purchase of intangible assets	11	(1,209,383)	(62,155)
Net cash flows from investing activities		**(120,231,926)**	**(139,894,502)**
Cash flows from financing activities			
Movement in long term liabilities: New Borrowings		21,900,000	43,700,000
Movement in long term liabilities: Redemption paid		(20,657,274)	(18,254,201)
Movement in finance lease: New lease		11,341,906	8,014,672
Movement in finance lease: Redemption paid		(8,494,646)	(6,736,175)
Net cash flows from financing activities		**4,089,986**	**26,724,296**
Net increase/(decrease) in cash and cash equivalents		**90,915,472**	**71,893,242**
Cash and cash equivalents at the beginning of the year		201,984,116	130,090,874
Cash and cash equivalents at the end of the year	3	**292,899,588**	**201,984,116**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	643,243,183	(18,325,558)	**624,917,625**	657,266,364	**32,348,739**	
Rental of facilities and equipment	1,300,000	-	**1,300,000**	1,323,509	**23,509**	Minor difference
Licences and permits	40,522	-	**40,522**	-	**(40,522)**	Minor source of income
Operational revenue	4,041,271	-	**4,041,271**	5,002,846	**961,575**	
Sale of goods and services	5,197,810	144,000	**5,341,810**	4,268,774	**(1,073,036)**	
Interest received	14,487,400	6,000,000	**20,487,400**	31,155,118	**10,667,718**	Higer cash and debtor balances
Total revenue from exchange transactions	**668,310,186**	**(12,181,558)**	**656,128,628**	**699,016,611**	**42,887,983**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	206,624,544	(893,781)	**205,730,763**	213,757,871	**8,027,108**	New valuation roll implemented
Transfer revenue						
Transfers & subsidies	176,875,459	18,335,243	**195,210,702**	173,276,156	**(21,934,546)**	Capital not spend accordingly - roll over budget
Developers contribution	8,150,000	18,450,945	**26,600,945**	24,710,457	**(1,890,488)**	Low rate of development
Fines, penalties and forfeits	50,341,628	-	**50,341,628**	44,424,663	**(5,916,965)**	Late appointment of Service provider for traffic fines
Total revenue from non-exchange transactions	**441,991,631**	**35,892,407**	**477,884,038**	**456,169,147**	**(21,714,891)**	
Total revenue	**1,110,301,817**	**23,710,849**	**1,134,012,666**	**1,155,185,758**	**21,173,092**	
Expenditure						
Employee related costs	(288,592,514)	7,260,352	**(281,332,162)**	(268,434,692)	**12,897,470**	Vacancies
Remuneration of councillors	(12,389,537)	(245,188)	**(12,634,725)**	(12,459,702)	**175,023**	Minor difference
Depreciation and amortisation	(117,244,100)	(10,381,399)	**(127,625,499)**	(136,385,457)	**(8,759,958)**	Increased assets
Finance costs	(25,943,453)	6,333,214	**(19,610,239)**	(18,320,393)	**1,289,846**	
Debt impairment	(87,815,258)	2,607,667	**(85,207,591)**	(115,670,961)	**(30,463,370)**	Debt provided - not written off
Collection costs	-	(677,534)	**(677,534)**	(821,848)	**(144,314)**	Legal fees paid

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Bulk purchases	(373,213,462)	(15,906,326)	**(389,119,788)**	(388,222,746)	**897,042**	Minor difference
Contracted services	(135,828,322)	19,753,960	**(116,074,362)**	(105,521,778)	**10,552,584**	Cost curtailment
Grants and subsidies paid	(286,520)	(306,800)	**(593,320)**	(593,237)	**83**	Minor difference
Inventory - consumed	(13,637,979)	(5,388,950)	**(19,026,929)**	(17,036,975)	**1,989,954**	Cost curtailment
Operating cost	(54,808,114)	(6,714,939)	**(61,523,053)**	(54,608,415)	**6,914,638**	Cost curtailment
Total expenditure	**(1,109,759,259)**	**(3,665,943)**	**(1,113,425,202)**	**(1,118,076,204)**	**(4,651,002)**	
Surplus	**542,558**	**20,044,906**	**20,587,464**	**37,109,554**	**16,522,090**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**542,558**	**20,044,906**	**20,587,464**	**37,109,554**	**16,522,090**	

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	10,311,175	(1,279,792)	**9,031,383**	14,260,130	**5,228,747**	Cost curtailment
Receivables from exchange transactions	128,782,745	(26,785,140)	**101,997,605**	107,758,181	**5,760,576**	mSCOA reclassification
Receivables from non-exchange transactions	16,827,574	40,558,771	**57,386,345**	73,133,587	**15,747,242**	mSCOA reclassification
VAT receivable	8,784,671	9,655,156	**18,439,827**	19,017,220	**577,393**	VAT refund outstanding
Cash and cash equivalents	134,458,174	71,263,229	**205,721,403**	292,899,588	**87,178,185**	Grants received
	299,164,339	**93,412,224**	**392,576,563**	**507,068,706**	**114,492,143**	
Non-Current Assets						
Investment property	46,569,574	-	**46,569,574**	45,950,574	**(619,000)**	Disposal of land
Property, plant and equipment	2,018,458,613	13,609,540	**2,032,068,153**	1,998,693,216	**(33,374,937)**	Lower spending level
Intangible assets	5,958,265	(4,931,061)	**1,027,204**	2,231,400	**1,204,196**	Disposal of intangible assets
Heritage assets	18,701	-	**18,701**	18,701	**-**	No difference
	2,071,005,153	**8,678,479**	**2,079,683,632**	**2,046,893,891**	**(32,789,741)**	
Total Assets	**2,370,169,492**	**102,090,703**	**2,472,260,195**	**2,553,962,597**	**81,702,402**	
Liabilities						
Current Liabilities						
Current portion of Long term loans	26,272,872	-	**26,272,872**	24,022,718	**(2,250,154)**	Short term portion lower than budgeted
Current portion of Finance lease obligation	12,804,971	(3,054,802)	**9,750,169**	7,623,583	**(2,126,586)**	Short term portion lower than budgeted
Trade and other payables from exchange transactions	106,319,500	16,825,693	**123,145,193**	171,910,236	**48,765,043**	Increased cost
Consumer deposits	16,917,936	321,745	**17,239,681**	17,315,592	**75,911**	Minor difference
Unspent conditional grants and receipts	-	-	**-**	11,852,513	**11,852,513**	Unpspent MIG INEP DAC and WSIG
	162,315,279	**14,092,636**	**176,407,915**	**232,724,642**	**56,316,727**	
Non-Current Liabilities						
Current portion of Long term loans	140,167,038	-	**140,167,038**	143,534,617	**3,367,579**	Long term portion higher than budgeted

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Current portion of Finance lease obligation	14,368,437	2,072,619	**16,441,056**	18,889,336	**2,448,280**	Long term portion higher than budgeted
Employee benefit obligation	17,830,368	(1,529,410)	**16,300,958**	15,761,847	**(539,111)**	Actuaral valuation
Provisions	39,753,416	9,022,360	**48,775,776**	62,851,659	**14,075,883**	Actuaral valuation
	212,119,259	**9,565,569**	**221,684,828**	**241,037,459**	**19,352,631**	
Total Liabilities	**374,434,538**	**23,658,205**	**398,092,743**	**473,762,101**	**75,669,358**	
	1,995,734,954	**78,432,498**	**2,074,167,452**	**2,080,200,496**	**6,033,044**	

Reserves						
Accumulated surplus	1,995,734,954	78,432,498	**2,074,167,452**	2,080,200,496	**6,033,044**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash receipts from ratepayers, government and other	459,453,774	(58,779,753)	**400,674,021**	622,034,284	**221,360,263**	Additional grants received
Cash receipts from services / charges	549,278,441	75,639,184	**624,917,625**	378,887,490	**(246,030,135)**	New valuation roll implemented
Interest income	6,958,900	6,000,000	**12,958,900**	18,750,717	**5,791,817**	More investments
	1,015,691,115	**22,859,431**	**1,038,550,546**	**1,019,672,491**	**(18,878,055)**	
Payments						
Cash paid to employees	(288,592,514)	7,260,352	**(281,332,162)**	(275,796,302)	**5,535,860**	Vacancies
Cash paid to suppliers and other	(582,566,985)	(8,937,669)	**(591,504,654)**	(523,333,634)	**68,171,020**	Cost curtailment
Finance costs	(25,943,453)	6,333,214	**(19,610,239)**	(14,986,490)	**4,623,749**	Late draw downs of loans
	(897,102,952)	**4,655,897**	**(892,447,055)**	**(814,116,426)**	**78,330,629**	
Net cash flows from operating activities	**118,588,163**	**27,515,328**	**146,103,491**	**205,556,065**	**59,452,574**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(108,952,617)	(34,598,640)	**(143,551,257)**	(119,182,300)	**24,368,957**	Capex not spend in full
Proceeds from sale of property, plant and equipment	-	-	**-**	(88,807)	**(88,807)**	Auction
Purchase of other intangible assets	(1,209,383)	-	**(1,209,383)**	(1,209,383)	**-**	Spent in full
Net cash flows from investing activities	**(110,162,000)**	**(34,598,640)**	**(144,760,640)**	**(120,480,490)**	**24,280,150**	
Cash flows from financing activities						
Movement in long term liabilities: New borrowings	21,900,000	-	**21,900,000**	21,900,000	**-**	
Movement in long term liabilities: Redemption	(21,774,699)	-	**(21,774,699)**	(20,657,274)	**1,117,425**	
Movement in finace lease: New lease	10,000,000	2,072,619	**12,072,619**	13,091,817	**1,019,198**	
Movement in finace lease: Redemption	(9,803,485)	-	**(9,803,485)**	(8,494,646)	**1,308,839**	
Net cash flows from financing activities	**321,817**	**2,072,619**	**2,394,436**	**5,839,897**	**(3,445,461)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net increase/(decrease) in cash and cash equivalents	8,747,980	(5,010,693)	**3,737,287**	90,915,472	**80,287,263**	Additional funding and not all budgeted expenditure spent
Cash and cash equivalents at the beginning of the year	125,710,194	76,273,922	**201,984,116**	201,984,116	-	No difference
Cash and cash equivalents at the end of the year	**134,458,174**	**71,263,229**	**205,721,403**	**292,899,588**	**80,287,263**	

Reconciliation

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies which have been consistently applied in the preparation of these annual financial statements are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

All figures are rounded to the nearest Rand, unless specified otherwise.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. These judgements and sources of estimation uncertainty have been covered in the relevant notes and relevant accounting policies. Significant judgements include:

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is first for individually significant receivables and then calculated on a portfolio basis, for the remaining balance, including those individually significant receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Accounting Policies

On receivables, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the loans and receivables.

Allowance for slow moving, damaged and obsolete stock

An assessment is made of net realisable value at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the discounted cash flow projection assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Provisions are recognised when:

- The municipality has a present obligation as a result of a past event
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure to be required to settle the present obligation at the reporting date.

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in the note of Provisions.

Contingencies disclosed in the current year required estimates and judgements. Additional disclosure of these contingent liabilities is included in the note 46 - Contingencies.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances estimating the useful lives of assets, which includes the consideration of financial, technical and other facts. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

Accounting Policies

Post retirement benefits

The present value of the post retirement and other long-term benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement and long term benefit obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds. Where there is no deep market in the government bonds with a sufficiently long maturity to match the estimated maturity of all the benefits paid, the municipality uses current market rates of the appropriate term to discount shorter payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post retirement and other long-term benefits are based on current market conditions. Additional information is disclosed in note 20 and note 21.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for impairment of financial assets

On receivables, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

The impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the loans and receivables.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

At initial recognition, the municipality measures investment property at cost, including transaction costs, once it meets the definition of investment property. Where an investment property was acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

Cost model

Investment property is subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset are depreciated separately.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	**Useful life**
Land	Indefinite

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from it disposal.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Cost also includes initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Where property, plant and equipment is acquired through non-exchange transactions, the cost is deemed to be the item’s fair value on the date of acquisition. The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent cost is capitalised when the recognition and measurement criteria of an asset are met.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Accounting Policies

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in surplus or deficit.

The municipality depreciates separately each part of an item of property, plant and equipment that has a cost that is significant in relation to the total cost of the item. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised. Depreciation is calculated using the straight-line method, over the estimated useful lives of the assets.

The depreciation rates are based on the following estimated useful lives:

Item	**Average useful life**
Land	Indefinite
Machinery and equipment	
• Office quipment	3 - 10
• Bins and containers	5 - 10
Furniture and fittings	10
Motor vehicles	
• Specialised vehicles	10 - 30
• Other vehicles	5
• Vehicles	5
IT equipment	3 - 10
Infrastructure	
• Buildings	30
• Roads and paving	3 - 50
• Electricity	3 - 60
• Water	5 - 55
• Sewerage	10 - 60
• Landfill site	17
Community	
• Buildings	30
• Recreational facilities	20 - 30
• Security	5
Other assets	
• Buildings	30
Motor vehicles leased	
• Vehicles	5

The asset management policy contains the details of the components and their specific useful life estimates.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Accounting Policies

At each reporting date all items of property, plant and equipment are reviewed for any indication that it may be impaired. An impairment exists when an assets' carrying amount is greater than its recoverable amount or recoverable service amount. Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal and the carrying value and is recognised in the statement of financial performance.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.7 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.8 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. Intangible assets are identifiable resources controlled by the municipality from which the municipality expects to derive future economic benefits or service potential.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

The municipality recognises an intangible asset in its statement of financial position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and the municipality can measure the cost or fair value of the asset reliably.

Accounting Policies

An intangible asset is measured initially at cost. Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at the date.

The municipality assesses at each reporting date whether there is any indication that the municipality's expectation about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided to write down the intangible assets to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

The municipality reviews the amortisation method, useful lives and residual values of intangible assets annually. The estimated useful lives are as follows:

Item	Average useful life
Computer software	3 - 5 years

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.9 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information of such heritage asset is disclosed in the note 12 - Heritage assets.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Accounting Policies

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset. Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

A financial asset is:
- cash; or
- a residual interest of another municipality; or
- a contractual right to:
  i. receive cash or another financial asset from another municipality; or
  ii. exchange financial assets or financial liabilities with another municipality under conditions that are potential favourable to the municipality.

A financial asset is past due when a counterparty has failed to make payment when contractually due.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transations	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Long-term liabilities / external loans	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality comes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Accounting Policies

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Discounting of short-term receivables and payables

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets are impaired. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

Accounting Policies

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contingent rents are expensed in the period in which they are incurred.

1.12 Inventories

Inventories are assets in the form of materials or supplies to be consumed or distributed in the rendering of services or held for distribution in the ordinary course of operations.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Where inventories are acquired through a non-exchange transaction, their cost is measured at their fair value as at the date of acquisition.

Accounting Policies

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution. Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Inventories are subsequently measured at the lower of cost and net realisable value unless distributed through a non-exchange transaction or consumed in the production process of goods to be distributed at no charge or for a nominal charge, in which case they are measured at the lower of cost and current replacement cost.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The cost of inventories is assigned by using the first-in, first-out (FIFO) formula, except for water balance which is determined at cost at the reporting date due to it being measured at reporting date.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Redundant and slow-moving inventories are identified and written down/written off. Inventories identified for write down/write off, but for which a council resolution to authorise the write down/write off, has not yet been obtained, are provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arise.

1.13 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Accounting Policies

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the municipality operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current prime rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

Accounting Policies

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

- Assets acquired by the municipality are mainly used as per the municipality's mandate for service delivery purposes to customers that pay for the services but also indigents. As the assets that are used for service delivery are similar, assets that generate cash flows cannot be distinguished from the non-cash generating assets and therefore are distinguished as non-cash generating.
- In the event that the assets that generate cash flows can be clearly identified the assets will be designated as cash-generating.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Accounting Policies

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

Accounting Policies

1.15 Employee benefits

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Accounting Policies

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices.Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

The municipality provides post-retirement health care benefits upon retirement to some retirees. The entitlement to postretirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

Other long term employee benefits

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

The municipality has an obligation to provide long term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.16 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in notes in the Financial Statements.

A contingent liability is:
- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-ocurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:

  (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or

  (ii) the amount of the obligation cannot be measured with sufficient reliability

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the municipality consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy and note on impairment of non-cash generating assets.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.17 Commitments

Items are classified as commitments when an municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

The municipality discloses each class of capital assets (PPE, Investment properties, Intangible assets and Heritage assets) recognised in the financial statements, as well as future minimum lease payments under non-cancellable operating leases, for each of the following periods:
- Not later than one year,
- Later than one year and not later than five years, and
- Later than five years.

1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Accounting Policies

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. There are areas within the municipality where an un-metered water tariff is applied based on estimated consumption as per promulgated tariffs. Revenue for these is recognised when invoiced.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to each property.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Accounting Policies

Interest

Revenue arising from the use by others of municipality assets yielding interest or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.19 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by the law.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Accounting Policies

Transfers (Including grants)

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

The municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason of reclassification is disclosed. Where material prior period errors have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Additional disclosure for the comparative figures is disclosed in note 49.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

Accounting Policies

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Additional disclosure for unauthorised expenditure is disclosed in note 53.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Additional disclosure for fruitless and wasteful expenditure is disclosed in note 54.

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic municipality’s supply chain management policy.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year-end and/or before finalisation of the financial statements, is recorded in the register and disclosed in the notes to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year-end, is recorded in the register and disclosed in the notes to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements are updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority is recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account is created if such a person is liable in law. Immediate steps are thereafter taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The register is also updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto remains against the relevant programme/expenditure item, disclosed as such in the notes to the financial statements and updated accordingly in the register.

Additional disclosure for irregular expenditure is disclosed in note 55.

1.25 Unspent conditional government grants and receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

This liability must always be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality’s interest it is recognised as interest earned in the Statement of Financial Performance.

Accounting Policies

1.26 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:
- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the event giving rise to the transfer has occurred.

1.27 Budget information

The municipality is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual budget figures have been prepared in accordance with the Standard of GRAP and are consistent with the accounting policies adopted by the Council for the preparation of these annual financial statements. The amounts are scheduled as a separate additional component to the annual financial statements, called the statement of comparison of budget and actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving motivations for over- or under spending on line items where it is found to be material. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material.

1.28 Related parties

A related party is a person or an muncipality with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an municipality that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties include key management personnel, close members of the family of key management personnel and councillors.

Key management personnel include all heads of department or members of the municipal council of the reporting municipality where that council has jurisdiction. The Council, together with the Municipal Manager and Section 57 employees has authority and responsibility to plan and control the activities of the municipality, to manage the resources and for the overall achievement of municipal objectives.

Close members of the family of an individual are close relatives of the individual or members of the individual’s immediate family who can be expected to influence, or be influenced by, that individual in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.29 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Accounting Policies

Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date. The municipality does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date. Where the non-adjusting event is material and non-disclosure could influence the economic decisions of the users, additional disclosure will be provided.

1.30 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for Value Added Tax (VAT) on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

1.31 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.32 Accumulated surplus

The accumulated surplus/(deficit) represents the net difference between the total assets and the total liabilities of the municipality. Any surplus and deficits realised during a specific financial year are credited/debited against accumulated surplus/(deficit). Prior year adjustments, relating to income and expenditure are credited/debited against accumulated surplus/(deficit) when retrospective adjustments are made.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Municipalities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

Notes to the Annual Financial Statements

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term “specialist military equipment” in IPSAS 17 was replaced with the term “weapon systems” and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB’s Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:
- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB’s recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB’s Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:
- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB’s recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB’s Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:
- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

Notes to the Annual Financial Statements

- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:
- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2019 or later periods:

GRAP 104 (revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:
- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the amendment is not yet set by the Minister of Finance.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

Guideline: Guideline on Accounting for Landfill Sites

The objective of this guideline: The Constitution of South Africa, Act No. 108 of 1996 (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector municipalities may also be involved in these activities from time to time. Concerns were raised by preparers about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where municipalities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to municipalities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold municipalities accountable and for decision making. The principles from the relevant Standards are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the landfill site and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land in a landfill, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, closure, end-use and monitoring, Other considerations, and Annexures with Terminology, Summary of guidance from other standard setters & References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist municipalities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. This Guideline aims to assist municipalities in achieving the overall financial reporting objective. This Guideline outlines a process that may be considered by municipalities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting (“the Conceptual Framework”) and other relevant Standards of GRAP. This Guideline includes examples and case studies to illustrate how an municipality may apply the principles in this Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, assessing whether information is material, applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting & References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled municipalities, joint ventures and associates when an municipality prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:
- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:
- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme

The objective of this guideline: Municipalities in the public sector are frequently involved in the construction of houses as part of government's housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No. 107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by municipalities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by municipalities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the guideline is for years beginning on or after 01 April 2019.

The municipality expects to adopt the guideline for the first time in the 2019/2020 annual financial statements.

It is unlikely that the guideline will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue

The amendments to this Interpretation of the Standard of GRAP clarifies that the municipality should also consider other factors in assessing the probability of future economic benefits or service potential to the municipality. Municipalities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the municipality grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

An entity applies judgement based on past experience and current facts and circumstances.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2020

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

Statutory receivables are receivables that:

(a) arise from legislation, supporting regulations, or similar means;and

(b) require settlement by another entity in cas or another financial asset.

Notes to the Annual Financial Statements

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements..

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when municipalities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

Notes to the Annual Financial Statements

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:
- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	216,783,207	201,620,896
Cash on hand	33,220	33,220
Short-term deposits	75,753,161	-
Other cash and cash equivalents	330,000	330,000
	292,899,588	**201,984,116**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

The municipality had the following bank accounts

Name of institution	Bank statement balances			Cash book balances		
	30 June 2019	**30 June 2018**	**30 June 2017**	**30 June 2019**	**30 June 2018**	**30 June 2017**
ABSA Bank Ltd	216,282,740	201,174,099	132,728,496	216,452,547	201,532,266	129,643,093
FNB	-	-	87,757	-	-	87,757
ABSA Bank Ltd	330,660	88,630	10,354	330,660	88,630	10,354
Total	**216,613,400**	**201,262,729**	**132,826,607**	**216,783,207**	**201,620,896**	**129,741,204**

Guarantees held in lieu of electricity and water deposits:

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
Ontec	7,000,000	7,000,000
Sedibeng Brewery Pty Ltd / Heineken	7,109,000	7,109,000
Bhawan Family Holdings	1,199,326	1,199,326
Other	340,200	340,200
	15,648,526	**15,648,526**

4. Receivables from exchange transactions

Consumer debtors - Water	39,261,763	34,078,198
Consumer debtors - Other	35,481,483	17,588,409
Consumer debtors - Electricity	13,484,110	23,590,397
Consumer debtors - Refuse	6,912,176	6,180,041
Consumer debtors - Sewerage	6,139,800	6,047,036
Pre-paid expenses	3,975,643	2,984,583
Sundry debtors	1,318,322	1,504,323
Deposits paid on purchase of properties	708,572	995,963
Debtor - purchase of properties	308,000	308,000
Rentals	168,312	3,863,626
	107,758,181	**97,140,576**

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables impaired

As at 30 June 2019 transactions totalling R44 737 428 (2018: R 25 398 944) have been written off against the provision.

The amount for the provision for the receivables from exchange transactions was R 107 325 623 as at 30 June 2019 (2018: R 87 839 017).

The ageing of the provision for the receivables from exchange transactions is set out in note 5 - Receivables from exchange transactions.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

5. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	100,168,167	76,696,929
Consumer debtors - Water	89,986,481	77,746,614
Consumer debtors - Other	65,715,749	41,413,384
Consumer debtors - Electricity	22,415,082	30,360,590
Consumer debtors - Refuse	16,568,275	13,777,737
Consumer debtors - Sewerage	13,919,368	12,024,773
	308,773,122	**252,020,027**

Less: Allowance for impairment		
Consumer debtors - Water	(50,724,718)	(43,668,416)
Consumer debtors - Rates	(52,047,713)	(37,400,467)
Consumer debtors - Other	(30,234,266)	(23,824,975)
Consumer debtors - Electricity	(8,930,972)	(6,770,193)
Consumer debtors - Refuse	(9,656,099)	(7,597,696)
Consumer debtors - Sewerage	(7,779,568)	(5,977,737)
	(159,373,336)	**(125,239,484)**

Net balance		
Consumer debtors - Rates	48,120,454	39,296,462
Consumer debtors - Other	35,481,483	17,588,409
Consumer debtors - Water	39,261,763	34,078,198
Consumer debtors - Electricity	13,484,110	23,590,397
Consumer debtors - Refuse	6,912,176	6,180,041
Consumer debtors - Sewerage	6,139,800	6,047,036
	149,399,786	**126,780,543**

Rates		
Current (0 -30 days)	9,071,483	13,319,695
31 - 60 days	2,452,147	3,622,474
61 - 90 days	1,166,795	4,912,414
91 - 120 days	744,472	801,706
121 - 365 days	19,611,196	8,112,457
> 365 days	15,074,361	8,527,716
	48,120,454	**39,296,462**

Electricity		
Current (0 -30 days)	9,225,292	19,674,475
31 - 60 days	825,843	888,436
61 - 90 days	101,518	98,904
91 - 120 days	639,142	255,035
121 - 365 days	1,069,757	996,220
> 365 days	1,622,558	1,677,327
	13,484,110	**23,590,397**

Water		
Current (0 -30 days)	13,234,816	12,137,877
31 - 60 days	3,317,039	1,588,366
61 - 90 days	1,170,375	918,247
91 - 120 days	772,908	398,658
121 - 365 days	7,412,830	6,172,560
> 365 days	13,353,795	12,862,490
	39,261,763	**34,078,198**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
Sewerage		
Current (0 -30 days)	1,778,297	1,927,661
31 - 60 days	317,089	384,511
61 - 90 days	149,960	514,264
91 - 120 days	111,759	145,708
121 - 365 days	1,645,197	1,334,904
> 365 days	2,137,498	1,739,988
	6,139,800	**6,047,036**
Refuse		
Current (0 -30 days)	1,415,452	1,493,380
31 - 60 days	293,535	349,712
61 - 90 days	298,321	267,615
91 - 120 days	126,213	139,628
121 - 365 days	1,862,971	1,596,400
> 365 days	2,915,684	2,333,306
	6,912,176	**6,180,041**
Other		
Current (0 -30 days)	4,167,297	3,071,975
31 - 60 days	5,402,925	1,409,403
61 - 90 days	10,139,577	590,297
91 - 120 days	2,375,873	1,732,207
121 - 365 days	3,214,130	5,012,139
> 365 days	10,181,681	5,772,388
	35,481,483	**17,588,409**

Summary of debtors by customer classification

	2019	2018
Consumers		
Current (0 -30 days)	26,351,129	34,546,211
31 - 60 days	5,113,773	6,656,578
61 - 90 days	16,056,674	8,669,873
91 - 120 days	6,274,050	4,866,205
121 - 365 days	66,767,889	54,177,866
> 365 days	130,234,526	103,989,957
	250,798,041	212,906,690
Less: Allowance for impairment	(144,866,943)	(116,674,906)
	105,931,098	**96,231,784**
Industrial/ commercial		
Current (0 -30 days)	15,909,303	13,524,884
31 - 60 days	8,668,287	1,959,223
61 - 90 days	400,511	299,162
91 - 120 days	1,263,780	313,013
121 - 365 days	3,742,133	4,969,983
> 365 days	12,140,824	13,987,680
	42,124,838	35,053,945
Less: Allowance for impairment	(13,760,615)	(8,563,231)
	28,364,223	**26,490,714**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
National and provincial government		
Current (0 -30 days)	749,172	254,699
31 - 60 days	602,294	238,611
61 - 90 days	522,795	17,376
91 - 120 days	14,551	11,976
121 - 365 days	4,765,827	867,348
> 365 days	9,195,604	2,669,384
	15,850,243	4,059,394
Less: Allowance for impairment	(745,778)	(1,346)
	15,104,465	**4,058,048**

Total debtors by customer classification		
Current (0 -30 days)	43,009,604	48,325,793
31 - 60 days	14,384,354	8,854,412
61 - 90 days	16,979,980	8,986,410
91 - 120 days	7,552,381	5,191,194
121 - 365 days	75,275,849	60,015,197
> 365 days	151,570,954	120,647,021
	308,773,122	252,020,027
Less: Allowance for impairment	(159,373,336)	(125,239,484)
	149,399,786	**126,780,543**

Total allowance for impairment		
Current (0 -30 days)	(4,116,968)	(559,564)
31 - 60 days	(1,775,774)	(611,511)
61 - 90 days	(3,953,436)	(1,684,670)
91 - 120 days	(2,782,012)	(1,718,253)
121 - 365 days	(40,459,496)	(36,790,518)
> 365 days	(106,285,650)	(83,874,969)
	(159,373,336)	**(125,239,485)**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(125,239,485)	(104,820,714)
Contributions to allowance	(78,871,279)	(45,817,715)
Debt impairment written off against the provision	44,737,428	25,398,944
	(159,373,336)	**(125,239,485)**

Reconciliation of gross consumer debtors and debtors by customer classification		
Gross consumer debtors	308,773,122	252,020,027
Debtors by customer classification	308,773,122	252,020,027
	-	-

6. Receivables from non-exchange transactions

Consumer debtors - Rates	48,120,454	39,296,462
Fines	10,976,475	11,041,932
Government grants and subsidies	4,863,762	2,071,958
Other receivables from non-exchange revenue	9,172,896	2,243,310
	73,133,587	**54,653,662**

Notes to the Annual Financial Statements

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from non-exchange transactions impaired

Property rates:
The amount for the provision for the receivables from non-exchange transactions was R52 047 713 as at 30 June 2019 (2018: R 37,400,467).

Traffic fines:
As at 30 June 2019, other receivables from non-exchange transactions of R42 449 651 (2018: R 53,567,221) were impaired and provided for.

An amount of R2 391 285 (2018: R2,929,182) for traffic fines has been reduced or cancelled during 2019.

The ageing of the net traffic fine debtors that is deemed to be collectable, is as follows:

Days outstanding:	**2019**	**2018**
< 365 days	1,841,763	5,560,979
> 365 days	9,134,712	5,480,953
	10,976,475	**11,041,932**

7. VAT receivable

VAT	19,017,220	17,561,738

8. Inventories

Maintenance materials - electricity	10,175,262	5,995,653
Maintenance materials - water	3,340,560	1,908,648
Water for distribution	493,525	458,549
Fuel (Diesel, Petrol)	250,783	238,467
	14,260,130	**8,601,317**

Water for distribution:

Opening balance	458,549	369,927
System input volume - kl purchased	127,653,886	106,445,849
Autorised consumption - kl sold	(93,115,285)	(75,819,234)
Water losses	(34,538,605)	(30,626,616)
Non-revenue water	34,980	88,623
	493,525	**458,549**

Inventory pledged as security

No portion of inventory has been pledged as securities.

Inventories are recognised at cost.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

9. Property, plant and equipment

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Community	166,875,179	(76,545,288)	90,329,891	157,211,604	(65,980,215)	91,231,389
Furniture and fittings	13,475,381	(6,380,074)	7,095,307	9,610,004	(5,357,433)	4,252,571
Infrastructure	2,788,485,277	(1,099,246,256)	1,689,239,021	2,695,280,382	(997,034,653)	1,698,245,729
IT equipment	12,241,131	(7,506,026)	4,735,105	11,395,423	(5,764,703)	5,630,720
Land	116,914,879	-	116,914,879	116,879,754	-	116,879,754
Machinery and equipment	25,449,173	(14,580,155)	10,869,018	21,772,077	(11,937,545)	9,834,532
Motor vehicles - leased	60,415,322	(24,476,195)	35,939,127	49,667,662	(18,225,916)	31,441,746
Motor vehicles	31,222,008	(21,335,315)	9,886,693	28,942,151	(18,993,369)	9,948,782
Other assets	72,883,982	(39,199,807)	33,684,175	58,757,786	(23,282,416)	35,475,370
Total	**3,287,962,332**	**(1,289,269,116)**	**1,998,693,216**	**3,149,516,843**	**(1,146,576,250)**	**2,002,940,593**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Community	91,231,389	15,525,907	(1,702,662)	(14,724,743)	90,329,891
Furniture and fittings	4,252,571	3,781,635	143,056	(1,081,955)	7,095,307
Infrastructure	1,698,245,729	95,064,454	(181,190)	(103,889,972)	1,689,239,021
IT equipment	5,630,720	985,356	(7,963)	(1,873,008)	4,735,105
Land	116,879,754	35,125	-	-	116,914,879
Machinery and equipment	9,834,532	3,218,688	486,383	(2,670,585)	10,869,018
Motor vehicles - leased	31,441,746	10,922,810	(55,374)	(6,370,055)	35,939,127
Motor vehicles	9,948,782	2,690,643	(59,756)	(2,692,976)	9,886,693
Other assets	35,475,370	223,316	1,065,231	(3,079,742)	33,684,175
	2,002,940,593	**132,447,934**	**(312,275)**	**(136,383,036)**	**1,998,693,216**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Reclassification-opening balance 1 July 2017	Additions	Write offs	Additions previous year	Depreciation	Total
Community	84,477,020	2,198,097	13,154,560	(7,526)	-	(8,590,762)	91,231,389
Furniture and fittings	-	3,387,913	1,698,269	(56,443)	-	(777,168)	4,252,571
Infrastructure	1,730,363,743	(37,062,857)	105,322,027	(108,791)	-	(100,268,393)	1,698,245,729
IT equipment	-	5,657,382	1,672,707	(60,348)	-	(1,639,021)	5,630,720
Land	116,038,665	1,140,089	9,631,000	-	(9,930,000)	-	116,879,754
Machinery and equipment	-	9,322,196	2,824,770	(81,855)	-	(2,230,579)	9,834,532
Motor vehicles - leased	22,765,549	2,829,722	11,007,128	-	-	(5,160,653)	31,441,746
Motor vehicles	-	11,992,926	731,515	(132,491)	-	(2,643,168)	9,948,782
Other assets	33,179,796	534,532	4,446,341	-	-	(2,685,299)	35,475,370
	1,986,824,773	**-**	**150,488,317**	**(447,454)**	**(9,930,000)**	**(123,995,043)**	**2,002,940,593**

Pledged as security

No portion of property, plant and equipment has been pledged as security for liabilities, other than obligations under finance leases that are secured by the lessor's right over the leases assets.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

During the year reclassification of categories of property, plant and equipment were included in the above due to the implementation of mSCOA.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

In addition to the property, plant and equipment above, the municipality has land on which RDP houses have been built. The land is still registered in the deeds office in the name of the municipality. The municipality does not have control over these properties and it is therefore not recognised as assets as it does not comply with the definition of assets as per GRAP 17. Total value: R16 200 000 (2018: R16 200 000) - note 48.

Reconciliation of Work-in-Progress 2019

	Opening	Additions	WIP capitalised	Total
Community	16,602,494	1,956,527	(4,447,635)	14,111,386
Infrastructure	181,897,055	89,570,246	(153,611,822)	117,855,479
Other assets	12,948,116	1,078,788	-	14,026,904
Intangible assets	300,000	-	(300,000)	-
	211,747,665	**92,605,561**	**(158,359,457)**	**145,993,769**

Reconciliation of Work-in-Progress 2018

	Opening	Additions	Total
Community	11,165,682	5,436,812	16,602,494
Infrastructure	81,549,145	100,347,910	181,897,055
Other assets	8,504,650	4,443,466	12,948,116
Intangible assets	250,000	50,000	300,000
	101,469,477	**110,278,188**	**211,747,665**

Expenditure incurred to repair and maintain property, plant and equipment

	2019	2018
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Employee related costs	58,011,172	35,191,161
Contracted services	34,777,357	50,357,184
Sale of goods/Inventory	744,219	5,794,459
Hire charges	6,041,771	1,910,215
	99,574,519	**93,253,019**

The municipality has no development or construction that has been halted druing the 2018/2019 financial year.

There was no carrying value of property, plant and equipment that took a longer period of time to complete than expected.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

Funding of property, plant and equipment acquisitions:

Additions to property, plant and equipment was funded from the following sources:	Source of funding 2019	Source of funding 2018
Land		
Accumulated surplus	28,125	-
Developers contribution	7,000	9,631,000
Community		
Accumulated surplus	14,170,345	8,326,340
DAC	86,204	-
Developers contribution	855,915	390,896
MIG	413,442	4,437,324
Other Assets		
MIG	223,316	-
Infrastructure		
Accumulated surplus	6,466,197	10,382,990
Annuity loans	19,110,526	43,822,964
Developers contribution	22,504,223	2,750,113
INEP	8,799,310	8,000,000
MIG	23,233,398	25,771,756
WSIG	14,950,801	14,594,204
IT equipment		
Accumulated surplus	865,743	1,624,621
DAC	119,613	48,086
Furniture and fittings		
Accumulated surplus	1,849,298	1,042,753
DAC	1,897,968	573,404
Developers contribution	34,369	82,113
Machinery and equipment		
Accumulated surplus	844,512	1,879,045
Annuity loans	553,258	-
DAC	1,690,068	928,715
Developers contribution	130,850	17,010
Motor vehicles		
Accumulated surplus	861,512	299,187
Annuity loans	1,292,316	-
DAC	259,366	-
Developers contribution	277,449	432,328
Vehicles - leased		
Leases	10,922,810	10,793,542
Developers contributions	-	213,859
	132,447,933	**150,488,317**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Investment property

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	45,950,574	-	45,950,574	46,569,574	-	46,569,574

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

Reconciliation of investment property - 2019

	Opening balance	Disposal	Total
Investment property	46,569,574	(619,000)	45,950,574

Reconciliation of investment property - 2018

	Opening balance	Total
Investment property	46,569,574	46,569,574

Pledged as security

No portion of investment properties has been pledged as security for liabilities.

Details of property

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

During the year no repairs and maintenance expenditure was incurred on investment properties.

There is no restriction on the reasonability of investment property.

11. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,790,403	(559,003)	2,231,400	1,592,784	(565,580)	1,027,204

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	1,027,204	1,209,383	(2,766)	(2,421)	2,231,400

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	1,083,949	62,155	(118,900)	1,027,204

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

Pledged as security

No portion of intangiable asstets has been pledged as security for liabilities:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Funding of intangible acquisitions:

Additions to intangible were funded from the following sources:	**Source of funding 2019**	**Source of funding 2018**
Intangible assets		
Accumulated surplus	1,206,383	62,155
Developers contribution	3,000	-
	1,209,383	**62,155**

12. Heritage assets

	2019			2018		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Other (specify class)	18,701	-	18,701	18,701	-	18,701

Reconciliation of heritage assets 2019

	Opening balance	**Total**
Other (specify class)	18,701	18,701

Reconciliation of heritage assets 2018

	Opening balance	**Total**
Other (specify class)	18,701	18,701

Pledged as security

No portion of heritage asstets has been pledged as security for liabilities:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

13. Trade and other payables from exchange transactions

	2019	2018
Trade payables	109,622,941	67,103,305
Payments received in advanced	34,169,389	29,044,999
Accrued leave pay	19,672,035	13,355,586
Retentions	6,829,009	6,592,770
Other payables	1,616,862	1,188,787
	171,910,236	**117,285,447**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

14. Unspent conditional grants and receipts

Movement during the year

Balance at the beginning of the year	1,487,795	-
Additions during the year	10,364,718	1,487,795
	11,852,513	**1,487,795**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 28 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

15. Consumer deposits

Consumer deposits	17,315,592	16,418,744

16. Long term loans

At amortised cost - non-current liabilities		
ABSA	9,313,101	10,227,359
DBSA	46,513,655	56,511,642
Standard Bank	87,707,861	78,918,334
	143,534,617	**145,657,335**
At amortised cost - current liabilities		
ABSA	914,257	837,931
DBSA	9,997,987	9,032,422
Standard Bank	13,110,474	10,786,921
	24,022,718	**20,657,274**
Total other financial liabilities	**167,557,335**	**166,314,609**
Non-current liabilities		
Designated at fair value	143,534,617	145,657,335
Current liabilities		
At amortised cost	24,022,718	20,657,274

Notes to the Annual Financial Statements

Loan Number	Redeemable	Balance at 30 June 2018	Received during the period	Redeemed written off during the period	Balance at 30 June 2019
S/B-22054588-1	20,000,000	12,331,667	-	2,050,850	10,280,817
S/B-22054588-2	34,000,000	19,943,734	-	3,316,795	16,626,939
S/B-22054588-3	26,000,000	15,755,549	-	2,620,268	13,135,281
L-033-M-103600/5	10,390,100	2,289,466	-	1,094,098	1,195,368
L-032-M-103600/4	13,100,000	6,664,631	-	1,072,103	5,592,528
L-031-M-103600/3	38,150,000	19,386,740	-	3,118,638	16,268,102
L-030-M-103600/2	4,950,000	2,537,697	-	408,225	2,129,472
L-029-M-103600/1	13,800,000	7,016,169	-	1,128,653	5,887,516
L-028-M-103047/4	15,700,000	10,194,291	-	1,062,654	9,131,637
L-027M-103047/3	12,650,000	10,232,721	-	455,007	9,777,714
L-026-M-103047/2	1,500,000	1,383,139	-	16,124	1,367,015
L-025-M-103047/1	8,800,000	4,858,558	-	618,144	4,240,414
L-023-M-103600/5	1,350,000	980,651	-	58,775	921,876
ABSA-0387231331	12,000,000	11,065,290	-	837,931	10,227,359
S/B-22044108	43,700,000	41,674,306	-	2,799,009	38,875,297
Standard Bank	21,900,000	-	21,900,000	-	21,900,000
	277,990,100	**166,314,609**	**21,900,000**	**20,657,274**	**167,557,335**

17. Current portion of Finance lease obligation

	2019	2018
Minimum lease payments due		
- within one year	9,843,785	9,347,136
- in second to fifth year inclusive	22,021,753	18,768,747
	31,865,538	28,115,883
less: future finance charges	(5,352,619)	(4,193,792)
Present value of minimum lease payments	**26,512,919**	**23,922,091**
Present value of minimum lease payments due		
- within one year	7,623,583	7,743,692
- in second to fifth year inclusive	18,889,336	16,178,399
	26,512,919	**23,922,091**
Non-current liabilities	18,889,336	16,178,399
Current liabilities	7,623,583	7,743,692
	26,512,919	**23,922,091**

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was 7% - 10.70% (2018:7% - 10%).

Amongst the leases listed below the municipality has leases with a variable interest rate.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

Lease number	Redeemable	Balance at 30 June 2018	Received during the period	Redeemed written off during the period	Balance at 30 June 2019
1SB9977492-0004	554,705	33,760	-	33,760	-
SB19974923-0005	476,716	29,013	-	29,013	-
SB19977492-0006	399,931	24,302	-	24,302	-
SB19977492-0007	2,134,741	173,411	-	173,411	-
SB19977492-0008	500,754	99,915	-	99,915	-
SB19977492-0009	1,228,213	249,391	-	249,391	-
SB19977492-0010	1,093,820	221,772	-	221,772	-
SB19977492-0011	279,300	56,614	-	56,614	-
SB19977492-0012	986,100	220,049	-	220,049	-
SB19977492-0013	373,534	81,529	-	81,529	-
SB19977492-0014	485,342	114,354	-	114,354	-
SB19977492-0015	899,126	262,820	-	207,960	54,860
SB19977492-0016	899,126	262,820	-	207,960	54,860
SB19977492-0017	242,914	76,586	-	56,518	20,067
SB19977492-0018	173,406	54,671	-	40,346	14,325
SB19977492-0019	173,406	53,970	-	39,889	14,081
SB19977492-0020	522,599	171,659	-	118,973	52,686
SB19977492-0021	522,599	171,659	-	118,973	52,686
SB19977492-0022	522,599	171,659	-	118,973	52,686
SB19977492-0023	395,869	129,940	-	90,058	39,882
SB19977492-0024	174,922	69,979	-	38,689	31,290
SB19977492-0025	174,922	69,979	-	38,689	31,290
SB19977492-0026	292,712	122,837	-	64,588	58,249
SB19977492-0027	309,807	130,011	-	68,360	61,651
SB19977492-0028	175,150	95,931	-	95,931	-
SB19977492-0029	175,150	95,931	-	36,922	59,009
SB19977492-0030	119,126	65,246	-	25,112	40,134
SB19977492-0031	119,126	65,246	-	25,112	40,134
SB19977492-0032	354,248	194,023	-	74,675	119,348
SB19977492-0033	354,248	194,023	-	74,675	119,348
SB19977492-0034	354,248	194,023	-	74,675	119,348
SB19977492-0035	354,248	194,023	-	74,675	119,348
SB19977492-0036	354,248	194,023	-	74,675	119,348
SB19977492-0037	354,248	194,023	-	74,675	119,348
SB19977492-0038	354,248	194,023	-	74,675	119,348
SB19977492-0039	354,248	194,023	-	74,675	119,348
SB19977492-0040	119,126	65,193	-	25,091	40,102
SB19977492-0041	147,609	80,781	-	31,091	49,690
SB19977492-0042	147,609	80,781	-	31,091	49,690
SB19977492-0043	183,669	100,515	-	38,686	61,829
SB19977492-0045	274,890	150,436	-	57,900	92,536
SB19977492-0046	244,995	133,967	-	51,561	82,406
SB19977492-0047	119,126	65,140	-	25,071	40,069
SB19977492-0048	147,609	80,715	-	31,065	49,650
SB19977492-0049	197,157	107,634	-	41,426	66,208
SB19977492-0050	1,088,505	594,244	-	228,712	365,532
SB19977492-0051	192,679	105,446	-	40,584	64,862
SB19977492-0052	1,062,326	598,771	-	221,815	376,956
SB19977492-0053	959,323	541,855	-	199,549	342,306
SB19977492-0054	261,645	155,545	-	53,557	101,988
SB19977492-0055	261,645	155,545	-	53,557	101,988
SB19977492-0056	387,771	238,105	-	79,155	158,950

Notes to the Annual Financial Statements

Figures in Rand				2019	2018
SB19977492-0057	747,210	467,087	-	150,058	317,029
SB19977492-0058	1,297,354	836,178	-	259,825	576,353
SB19977492-0059	1,258,248	810,971	-	251,993	558,978
NED1727061-0001	681,336	548,830	-	122,726	426,104
NED1727061-0002	260,719	210,015	-	46,962	163,053
NED1727061-0003	260,719	210,015	-	46,962	163,053
NED1727061-0004	2,050,723	1,651,899	-	369,387	1,282,511
ABSA 90361142	3,504,100	2,915,613	-	532,045	2,383,568
ABSA 90360537	1,046,400	871,333	-	159,002	712,331
ABSA 90716668	1,150,738	1,132,331	-	316,251	816,080
ABSA 90720541	1,150,738	1,132,331	-	316,251	816,080
ABSA 91008969	581,349	581,349	-	146,575	434,774
ABSA 91009191	581,349	581,349	-	146,575	434,774
ABSA 91052780	492,716	492,716	-	115,441	377,275
ABSA 91053034	191,139	191,139	-	28,003	163,136
ABSA 91053190	155,403	155,403	-	22,767	132,635
ABSA 91053271	155,403	155,403	-	22,767	132,635
ABSA 91053379	355,633	355,633	-	52,102	303,531
ABSA 91053492	143,966	143,966	-	21,092	122,874
ABSA 91694455	184,848	184,848	-	38,768	146,080
ABSA 91610230	184,848	184,848	-	39,038	145,811
ABSA 91693939	135,278	135,278	-	28,372	106,906
ABSA 91693459	455,489	455,489	-	95,530	359,959
ABSA 91694170	455,489	455,489	-	95,530	359,959
ABSA 91693076	754,381	754,381	-	143,221	611,160
ABSA 91692355	126,286	126,286	-	26,486	99,800
SB19977492-0060	1,173,575	-	1,173,575	60,716	1,112,859
SB19977492-0061	1,173,575	-	1,173,575	60,716	1,112,859
SB19977492-0062	278,564	-	278,564	11,125	267,439
SB19977492-0063	146,116	-	146,116	5,606	140,510
SB19977492-0064	146,116	-	146,116	5,606	140,510
SB19977492-0065	146,116	-	146,116	5,606	140,510
SB19977492-0066	600,928	-	600,928	23,214	577,714
SB19977492-0067	600,928	-	600,928	23,214	577,714
SB19977492-0068	306,467	-	306,467	8,021	298,446
SB19977492-0069	306,467	-	306,467	8,021	298,446
SB19977492-0070	212,465	-	212,465	-	212,465
SB19977492-0071	202,024	-	202,024	-	202,024
SB19977492-0072	202,024	-	202,024	-	202,024
SB19977492-0073	652,042	-	652,042	-	652,042
SB19977492-0074	198,479	-	198,479	-	198,479
SB19977492-0076	316,222	-	316,222	-	316,222
SB19977492-0077	341,831	-	341,831	44,587	297,244
ABSA 91952667	2,331,625	-	2,331,625	396,440	1,935,185
SB19977492-0078	1,506,093	-	1,506,092	-	1,506,092
SB1997492-0079	500,250	-	500,250	-	500,250
	52,739,152	**23,922,091**	**11,341,906**	**8,751,075**	**26,512,919**

18. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Landfill rehabilitation	46,453,120	16,398,539	62,851,659

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Landfill rehabilitation	35,988,970	10,464,150	46,453,120

	2019	2018
Non-current liabilities	62,851,659	46,453,120

The landfill rehabilitation is created for the rehabilitation of the current operational sites which are evaluated at each year-end to reflect the best estimate at reporting date. The sites under consideration are the Henley-on-Klip, Vaal Marina and Walkerville landfill sites. The valuation for the landfill site was performed by Mr Seakle Godschalk Pr Sci Nat. from Environmental and Sustainability Solutions CC. Mr Godschalk is a registered professional environmental scientist with the South African Council for Natural Scientist Profession as well as the Southern African Institute of Ecologists and Environmental Scientists. Mr Godschalk is also a member of the Institute of Municipal Finance Officers.

Key financial assumptions used in this calculation were as follows:

	Henley-on-Klip landfill	Vaal Marina landfill	Walkerville landfill
CPI	4.1947%	4.1947%	4.1947%
Discount rate	7.6947%	8.19472%	8.1947%
Nett effective discount rate	3.5%	4%	4%

The 2019 amount of the discounted landfill closure provision of R62 851 659 represents an increase of R16 398 539 over the provision of R46 453 120 in the previous financial year. Composition of this change relate to changes in the CPI, discount rate and unit costs. The interest charge relating to the assessment amounts to R3 333 903. The 2019 amount is a discounted amount based on the expected remaining life of the landfill site and based on the size of the area that had been used for waste disposal as at 30 June 2019. The size of the landfill sites used up until now and estimated remaining useful lives are as follows:

	Henley-on-Klip landfill	Vaal Marina landfill	Walkerville landfill
Approximate size used until 30 June 2019	10.35 ha	1.92 ha.	11.43 ha
Remaining useful lives	1 years	17 years	8 years

19. Post retirement medical aid plan

Key assumptions used:

	2019	2018
Discount rates used	8.34 %	8.89 %
Consumer price inflation	4.53 %	5.43 %
Health care cost inflation	6.03 %	6.93 %
Net of health care cost inflation discount rate	- %	1.83 %
Maximum subsidy inflation rate	4.15 %	4.82 %
Net discount rate	- %	3.88 %

The discount rate was determined by using the Johannesburg Stock Exchange and as at 29 June 2019 was 8.34% (2018: 8.89%) per annum.

It is fairly common to expect a pensioner's income to be lower than the income earned just prior to retirement. The difference between the income after retirement and the income just prior to retirement is referred to as the Net Replacement Ratio. The Net Replacement Ratio is used to reduce the expected salary on retirement. We have assumed a Net Replacement Ratio on retirement of 75%. A salary inflation assumption is used to adjust the salary from the current date to the date of retirement. This assumption should be considered in conjunction with the assumed CPI rate.

The valuation basis assumes that the health care cost inflation rate (which manifests itself as the annual increase to the total contribution subsidised by the employer) will be 0.80% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the health care cost inflation rate is as follows:

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

	1% decrease R's	Valuation basis R's	1% increase R's
Employer's accrued liability	3,610,859	3,893,270	4,209,548
Employee's interest cost *	288,769	311,134	338,580

A 1% increase in the health care cost inflation assumption results in a 8.12% increase in the accrued liability whilst a 1%.decrease in the health care cost inflation rate will result in a 7.25% decrease in the accrued liability.

The present value of the post retirement medical aid obligation for the current and previous four years is as follows:

	2019	2018	2017	2016	2015
Post retirement medical aid	3,893,270	4,851,648	6,301,603	6,846,134	5,782,398

According to the mutli-employer plan management indicated that there are no assets set aside off-balance sheet in respect of the Municipality's post-employment health care liability.

Changes in the present value of the defined benefit obligation are as follows:

	2019	2018
Opening balance	(4,851,648)	(6,301,603)
Benefits paid	428,544	395,998
Net income / (expense) recognised in the statement of financial performance	529,834	1,053,957
	(3,893,270)	**(4,851,648)**

Net expense recognised in the statement of financial performance

	2019	2018
Current service cost	-	(134,962)
Interest cost	(412,668)	(565,962)
Actuarial (gains) losses	942,502	1,754,881
	529,834	**1,053,957**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

20. Long service awards

We have applied the Projected Unit Credit Method to determine the liabilities. The projected liability is based on actuarial assumptions about the future. These assumptions are set to be realistic and individually justifiable. These variations emerge at each valuation as actuarial gains or losses.

Key asumptions used:

Discount rates used	7.39 %	8.61 %
Consumer price inflation	4.04 %	5.43 %
Salary increase rate	5.04 %	6.21 %
Net discount rate	2.24 %	2.26 %

The effect of a one percent increase and decrease in the salary inflation rates is as follows:

	1% decrease R's	Valuation basis R's	1% increase R's
Employer's	11,107,251	11,868,577	12,709,428
Employer's expense cost *	1,118,998	1,215,991	1,325,183
Employer's interest cost *	793,999	850,261	912,400

The above table illustrates that for the 30 June 2019 financial year, a 1% increase in the salary cost inflation assumption will result in roughly a 7.08% increase in the accrued liability. Similarly, a 1% decrease in the salary inflation assumption will result in roughly a 6.41% decrease in the accrued liability.

* The total movement on the service and interest charges was used in the table.

The present value of the long service awards for the current and previous four years is as follows:

	2019	2018	2017	2016	2015
Long service awards	11,868,577	10,673,074	9,840,320	9,597,471	7,891,632

Management indicated that there are no assets set aside for long service awards funding that qualify as plan assets.

Changes in the present value of the long service awards are as follows:

Opening balance	10,673,074	9,840,320
Benefits paid	(1,161,358)	(942,582)
Net income / (expense) recognised in the statement of financial performance	2,356,861	1,775,336
	11,868,577	**10,673,074**

Net expense recognised in the statement of financial performance		
Current service cost	1,175,298	958,291
Interest cost	869,987	813,049
Actuarial (gains) losses	311,576	3,996
	2,356,861	**1,775,336**

The net expense relating to employee benefit obligations recognised in the statement of financial performance is included within employee remuneration.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

21. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

Midvaal municipality operates on 5 accredited medical aid schemes, namely Hosmed, Key Health, SAMWU Med, Bonitas and LA Health.

Midvaal provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, which the municipality is associated with, a member (subject to the applicable conditions of service) on retirement, is entitled to remain a continued member of such medical fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the municipality for the remaining portion.

Pension benefits

Council and employees contribute towards the under-mentioned pension funds whose operations are subject to the Pension Fund Act, 1956.

The municipality does not apply "defined benefit accounting" to defined benefit funds to which it is a member where these funds are classified in terms of GRAP 25 as multi-employer plans, as sufficient information is not available to apply the principles involved. Information necessary to apply "defined benefit accounting" was requested from the various funds, but information received from these funds was insufficient and in some instances no information could be obtained from these funds. This issue will be addressed in the future to ensure that these benefit plans could be accounted for as "defined benefit accounting". As a result, GRAP 25 is applied and such funds are accounted for as defined contribution funds.

The Council subscribes to the following pension funds:

- Municipal Gratuity Fund
- Joint Municipal Employees Pension Fund
- Germiston Municipal Retirement Fund
- Old Mutual Sala Pension Fund
- National Fund For Municipal Workers
- SAMWU National Provident Fund
- Councillors Pension Fund

Germiston Municipal Retirement Fund (GMRF) is a defined contribution fund for active contributing members but a defined fund for certain pensioners under old rules taken up in the rules of the fund. During 2005 GMRF outsourced the full administration of the pensioners component which relates to old rules of a defined benefit fund. To the extent that a surplus or deficit is in place, based on available information, this may affect the amount of the future contributions once these are assessed. In the case of surpluses, no change is made in the rate contributions. In the case of deficits, the municipality will increase contributions on a phase in basis.

The amounts recognised in the statement of financial position are as follows:

	2019	2018
Carrying value		
Present value of the defined benefit obligation - post retirement medical aid plan	(3,893,270)	(4,851,648)
Present value of long service awards	(11,868,577)	(10,673,074)
	(15,761,847)	**(15,524,722)**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
Current assets	958,378	-
Non-current liabilities	(16,720,225)	(15,524,722)
	(15,761,847)	**(15,524,722)**

22. Service charges

Sale of electricity	347,195,997	326,502,042
Sale of water	228,957,257	183,111,409
Sewerage and sanitation charges	42,105,387	38,450,078
Solid waste	39,007,723	36,022,835
	657,266,364	**584,086,364**

23. Interest revenue

Interest revenue		
Interest - investments	18,750,717	14,724,634
Interest - consumer debtors	12,404,401	9,181,283
	31,155,118	**23,905,917**

24. Operational revenue

Sale of properties	2,379,001	25,500
Insurance refund	760,714	317,019
Administrative handling fees	784,351	106,298
Collection charges	478,647	883,871
SETA refunds	451,228	295,808
Cleaning of stands	141,529	1,316
Plan printing and duplicates	11,773	23,667
Dishonoured cheques and surplus cash	(4,397)	2,304,132
	5,002,846	**3,957,611**

2019

The Midvaal Local Municipality registered a Public Private Partnership with National Treasury in terms of Sec 120 of the MFMA for the management and maintenance of electricity operations. As at 30 June 2018, the municipality had adopted the Status Quo report as well as the Feasibility Study as required by section 78(1) of the Municipal Systems Act. A transactional advisor has been appointed and is in the process of re-visiting the feasibility study. Appontment of the private partner is envisaged to be finalised in the 2020/2021 financial year. We are in the process of finalising an agreement with DBSA for funding of an estimated amount of R20 000 000.

2018

The Midvaal Local Municipality registered a Public Private Partnership with National Treasury in terms of Sec 120 of the MFMA for the management and maintenance of electricity operations. As at 30 June 2018, the municipality had adopted the Status Quo report as well as the Feasibility Study as required by section 78(1) of the Municipal Systems Act. Phase 2 of the project being the procurement of the private partner will commence in the 2018/2019 financial year.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

25. Sale of goods and rendering of services

Planning fees	1,267,294	1,951,833
Town planning fees	1,154,988	1,527,472
Cemetery income	628,647	489,536
Fire services	420,386	-
Entrance / membership fees	210,542	161,537
Clearance / valuation certificates / valuation	139,752	137,702
Tender documents	132,625	118,446
Photocopies	100,628	87,148
Traffic escourts	93,603	140,199
Advertising	75,349	131,963
Legal fees	27,182	5,882
Cleaning of stands	17,778	145,028
Developers contributions	-	19,950,802
	4,268,774	**24,847,548**

26. Gain on disposal of assets

Disposal of assets	-	278,533

27. Property rates

Rates revenue

Residential	141,694,780	166,204,364
Commercial	58,876,390	43,218,943
State	7,836,644	5,350,067
Agricultural	6,143,039	94,425,751
Less: Income forgone	(792,982)	(114,540,658)
	213,757,871	**194,658,467**

Municpial rates has been reclassified according to the use of the property as per the Municipal Property Rates Act in the 2018/2019 financial year.

A valuation roll was compiled in terms of the Municipal Property Rates Act, Act 6 of 2004 which is used as basis to levy property rates. The property valuations increased due to the implementation of a new valuation roll. The valuation roll came into effect on 1 July 2018.

The general valuation roll came into effect within the financial year under review. Interim valuations were processed to take into account changes in individual property values due to alterations and subdivisions. In term of the objection process which took place in the 2017/2018 financial year, customers had time to appeal to the objection outcome. A total of 47 appeals were referred to the valuer.

Advertisements for members to apply for the appeal board was done by the Department of Cooperative Governance & Traditional Affairs (COGTA). Appeal board members were appointed by COGTA and send to Council for notification. The appeal process is a very lengthy process and only started in the 2018/2019 financial year during the month of June 2019. Only 18 appeals were dealt with and completed amounting to R28 622 000. The remaining 29 appeals will be dealt with in the 2019/2020 financial year.

The Supplementary Roll for the 2018/2019 financial year was submitted to the municipality in April 2019 in terms of individual property value changes due to alterations and subdivisions. Customers were given time till 15 June 2019 to submit their objections. A total of 14 objections in terms of zoning matters were received amounting to R18 086 000. All the objections were referred to the valuer for his comments and letters of outcome. As at 30 June 2019 the valuer was still addressing the objections received. The process is expected to be completed during the 2019/2020 financial year.

Rates are levied on a monthly basis and interest is levied after due date.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

Valuations - figures are displayed in R'000

Residential	18,594,560	15,293,402
Commercial	4,241,195	3,208,838
Other	3,451,334	390,377
Agricultural	3,213,231	4,609,942
State	508,934	364,690
Municipal	290,266	214,587
	30,299,520	**24,081,836**

28. Transfers and subsidies

Operating grants		
Equitable Share	91,438,000	80,592,000
Environmental Subsidy Grant	4,216,521	2,669,420
Specific Contribution towards Councillors (Equitable Share)	5,754,000	5,724,000
Department Sport, Arts, Culture and Recreation Grant	6,750,000	6,265,000
Financial Management Grant	1,550,000	1,550,000
Municipal Infrastructure Grant	1,428,000	1,400,000
Expanded Public Works Programme Grant	1,181,000	1,119,000
Urban Management Grant	6,211,219	1,938,560
Provincial Health Subsidies	3,073,930	3,916,178
	121,602,670	**105,174,158**
Capital grants		
Municipal Infrastructure Grant	23,870,156	36,389,000
Water Service Infrastructure Grant	14,950,801	15,000,000
Integrated National Electrification Programme	8,799,310	8,000,000
Department Sport, Arts, Culture and Recreation Grant	4,053,219	1,550,204
	51,673,486	**60,939,204**
	173,276,156	**166,113,362**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants: conditions met - transferred to revenue	62,582,486	71,273,204
Unconditional grants: conditions met - transferred to revenue	110,693,670	94,840,158
	173,276,156	**166,113,362**

Unspent conditional grants - remain liabilities (see note 14):

Municipal Infrastructure Grant	5,902,844	-
Department Sport, Arts, Culture and Recreation Grant	246,780	1,487,795
Integrated National Electrification Programme	5,653,690	-
Water Service Infrastructure Grant	49,199	-
	11,852,513	**1,487,795**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents are provided with free basic services which is funded from the equitable share.

Balance unspent at beginning of year	97,192,000	86,316,000
Transferred to revenue	(97,192,000)	(86,316,000)
	-	-

Financial Management Grant

Balance unspent at beginning of year	1,550,000	1,550,000
Conditions met - transferred to revenue	(1,550,000)	(1,550,000)
	-	-

Conditions were met during the year.

Municipal Infrastructure Grant

Balance unspent at beginning of year	31,201,000	37,789,000
Conditions met - transferred to revenue	(25,298,156)	(37,789,000)
	5,902,844	-

Conditions still to be met - remain liabilities (see note 14).

Department Sport, Arts, Culture and Recreation Grant

Balance unspent at beginning of year	1,487,795	-
Current-year receipts	11,100,000	9,303,000
Conditions met - transferred to revenue	(12,341,015)	(7,815,205)
	246,780	**1,487,795**

Conditions still to be met - remain liabilities (see note 14).

Expanded Public Works Programme Grant

Balance unspent at beginning of year	1,181,000	1,118,999
Conditions met - transferred to revenue	(1,181,000)	(1,118,999)
	-	-

Conditions were met during the year.

Provincial Health Subsidy

Balance unspent at beginning of year	3,073,930	3,916,178
Conditions met - transferred to revenue	(3,073,930)	(3,916,178)
	-	-

Conditions were met during the year.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

Environmental Subsidy Grant

Balance unspent at beginning of year	4,216,521	2,669,420
Conditions met - transferred to revenue	(4,216,521)	(2,669,420)
	-	**-**

Conditions were met during the year.

Integrated National Electrification Programme

Balance unspent at beginning of year	14,453,000	8,000,000
Conditions met - transferred to revenue	(8,799,310)	(8,000,000)
	5,653,690	**-**

Conditions still to be met - remain liabilities (see note 14).

Water Service Infrastructure Grant

Balance unspent at beginning of year	15,000,000	15,000,000
Conditions met - transferred to revenue	(14,950,801)	(15,000,000)
	49,199	**-**

Conditions still to be met - remain liabilities (see note 14).

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

29. Fines, penalties and forfeits

Municipal traffic fines	44,309,489	33,636,931
Overdue books fines	111,291	139,743
Pound fees fines	3,883	24,925
Retentions forfeits	-	530,585
Fines, penalties and forfeits	-	29,616
	44,424,663	**34,361,800**

30. Developers contributions

Developers contribution - capital	24,710,457	10,731,103

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

31. Total revenue

Service charges	657,266,364	584,086,364
Property rates	213,757,871	194,658,467
Transfers and subsidies	173,276,156	166,113,362
Public contributions and donations	24,710,457	10,731,103
Interest received	31,155,118	23,905,917
Other income	4,268,774	24,847,548
Operational revenue	5,002,846	3,957,611
Fines, penalties and forfeits	44,424,663	34,361,800
Rental of facilities and equipment	1,323,509	1,345,019
Gain on disposal of assets	-	278,533
Licences and permits	-	1,021
	1,155,185,758	**1,044,286,745**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	657,266,364	584,086,364
Interest received - investment	31,155,118	23,905,917
Gain on disposal of assets	5,002,846	3,957,611
Other income	4,268,774	24,847,548
Rental of facilities and equipment	1,323,509	1,345,019
Royalty income	-	278,533
Licences and permits	-	1,021
	699,016,611	**638,422,013**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	213,757,871	194,658,467
Transfer revenue		
Transfers and subsidies	173,276,156	166,113,362
Developers contribution	24,710,457	10,731,103
Fines, Penalties and Forfeits	44,424,663	34,361,800
	456,169,147	**405,864,732**

32. Bulk purchases

Electricity	260,568,860	241,210,802
Water	127,653,886	106,445,849
	388,222,746	**347,656,651**

Electricity distribution losses - note 32**:**

Electricity distribution losses - technical	15,637,659	14,474,411
Electricity distribution losses - non technical	16,263,165	12,447,994
	31,900,824	**26,922,405**

Water non revenue - note 32**:**

Water non revenue - technical	17,287,309	15,329,276
Water non revenue - non technical	17,251,294	15,297,340
	34,538,603	**30,626,616**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
Cost of free basic services:		
Cost of free basic water	9,534,718	8,372,141
Cost of free basic electricity	435,959	463,957
	9,970,677	**8,836,098**
Electricity Inventory - note 32 **:**		
Cost of electricity billed	228,232,077	213,824,440
Electricity technical losses	15,637,659	14,474,411
Electricity non-tecnical losses	16,263,165	12,447,994
Free basic electricity	435,959	463,957
	260,568,860	**241,210,802**
Water inventory **-** note 32:		
Cost of free basic water	83,580,565	67,447,092
Water technical losses	17,287,309	15,329,276
Water non-technical losses	17,251,294	15,297,340
Free basic water	9,534,718	8,372,141
	127,653,886	**106,445,849**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

33. Employee related costs

Basic	158,466,661	134,074,877
Pension	30,795,227	26,941,585
Overtime payments	14,658,140	11,865,960
Medical aid - company contributions	12,534,194	12,144,442
Bonus	12,067,613	10,518,301
Car allowance	10,335,174	8,494,478
Redemption of leave	9,589,721	2,341,881
Acting allowances	5,352,714	4,383,497
Telephone allowances	1,598,018	1,367,822
Housing benefits and allowances	1,428,701	1,307,733
UIF	1,294,847	1,164,466
Group insurance	518,957	264,172
Post retirement medical	455,227	186,668
	259,095,194	**215,055,882**

Remuneration of municipal manager - A.S.A De Klerk

Annual remuneration	1,545,408	1,434,678
Car allowance	144,000	144,000
Contributions to UIF, medical and pension funds	267,814	250,501
Other	30,105	30,099
	1,987,327	**1,859,278**

Remuneration of chief finance officer - A.L. Van Schalkwyk

Annual remuneration	1,269,775	1,175,786
Car allowance	144,000	144,000
Contributions to UIF, medical and pension funds	271,487	255,225
Other	192,642	24,099
	1,877,904	**1,599,110**

A.L. Van Schalkwyk resigned on 30 June 2019. K. Desai was appointed as the acting Chief Financial Officer as from 1 July 2019.

Remuneration of the ED Community Services - M.S. Mosidi

Annual remuneration	1,197,514	1,103,279
Car allowance	216,000	216,000
Contributions to UIF, medical and pension funds	271,749	255,731
Other	24,105	24,099
	1,709,368	**1,599,109**

Remuneration of the ED Engineering Services - S. Coetzee

Annual remuneration	635,699	1,174,346
Car allowance	78,000	156,000
Contributions to UIF, medical and pension funds	129,081	244,665
Other	59,244	24,099
	902,024	**1,599,110**

The contract of the ED Engineering Services, S Coetzee expired on 31 December 2018.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

Remuneration of the Deputy Municipal Manager - T.W. Peeters

Annual remuneration	1,820,437	1,697,300
Car allowance	60,000	60,000
Contributions to UIF, medical and pension funds	1,785	1,785
Other	24,105	94,466
	1,906,327	**1,853,551**

Remuneration of the ED Protection Services - E. Lensley

Annual remuneration	-	638,516
Car allowance	-	15,000
Contributions to UIF, medical and pension funds	-	134,042
Other	-	12,000
	-	**799,558**

Contract expired on 31 December 2017 and employee was appointed as Director Public Safety - Community Services as from 1 January 2018. The position of ED Proctection Services has been abolished.

Remuneration of the ED Development Planning - K.D Chamboko and H Human

The contract of the ED Development Planning, H Human expired on 31 January 2018:

Annual remuneration	-	853,187
Car allowance	-	120,000
Contributions to UIF, medical and pension funds	-	76,936
Other	-	160,910
	-	**1,211,033**

A new ED Development Planning, K.D Chamboko was appointed in May 2018:

Annual remuneration	651,966	101,533
Car allowance	144,000	24,000
Contributions to UIF, medical and pension funds	136,477	21,929
Other	24,105	4,000
	956,548	**151,462**

Total employee cost

Remunerations - municipal staff	259,095,194	215,055,882
Remunerations - executive managers	9,339,498	10,672,209
	268,434,692	**225,728,091**

34. Depreciation and amortisation

Property, plant and equipment	136,383,036	123,995,023
Intangible assets	2,421	118,900
	136,385,457	**124,113,923**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

35. Contracted services

Outsourced services		
Security services	13,448,345	13,082,475
Connection/dis-connection	11,086,009	8,954,278
Personnel and labour	6,359,029	4,580,032
Call centre	2,631,625	1,676,310
Clearing and grass cutting services	2,605,232	2,596,589
Removal of structures and illegal signs	2,002,316	1,377,915
Business and advisory	1,244,075	5,059,900
Meter management	1,192,969	911,734
Hygiene services	1,060,131	854,904
Burial services	1,049,244	671,518
Litter picking and street cleaning	705,935	157,500
Catering services	662,267	664,835
Traffic fines management	168,917	6,008,066
Transport services	23,422	16,310
Cleaning services	-	62,060
Illegal dumping	-	459,809
Refuse removal	-	52,500
Consultants and professional services		
Business and advisory	9,899,957	8,001,764
Legal cost	4,512,799	9,310,138
Infrastructure and planning	740,176	1,020,405
Contractors		
Maintenance of municipal assets	43,292,904	50,357,187
Tracing agents and debt collectors	1,835,432	1,022,325
Catering services	293,766	45,730
Waste	197,717	464,837
Stage and sound crew	153,330	57,911
Transportation	135,400	25,066
Safeguard and security	112,923	1,450
Medical services	37,906	13,500
Sports and recreation	37,190	121,537
Pest control and fumigation	16,442	23,224
Employee wellness	8,600	1,198
Fire services	5,720	7,627
Artists and performers	2,000	33,060
Audio-visual services	-	2,029
First aid	-	9,900
	105,521,778	**117,705,623**

36. Debt impairment

Contributions to debt impairment provision	115,670,961	73,894,403

Deemed Indigent debt was written off according to the Indigent policy and as such the contribution to the debt impairment provision is higher.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

37. Operating cost

Hiring of equipment	11,907,336	11,242,821
IT expenses	6,939,850	6,164,161
Advertising	4,611,911	2,257,652
Insurance	3,835,044	2,596,916
Commission paid	3,455,394	1,304,198
Landfill rehabilitation cost	3,333,903	3,035,564
Bargaining council	2,778,451	2,575,037
Auditors remuneration	2,647,144	2,967,073
Protective clothing	2,604,461	2,186,405
Skills development levy	2,185,868	1,914,141
Workmen's compensation fund	1,346,515	1,129,004
Bank charges	1,128,313	1,579,298
Rental	1,187,698	-
Vehicle license fees	873,097	794,269
Non-capital assets expensed	821,961	38,622
Travel - local	820,970	332,120
Tracking	660,797	495,442
Ward committees	660,230	864,720
Postage and courier	588,188	678,332
Telephone and fax	460,787	457,421
Printing and stationery	421,899	153,343
Travel - overseas	263,221	104,534
Subscriptions and membership fees	237,656	609,090
Bursaries (Employees)	209,746	326,449
Radio and TV transmission	205,283	110,943
Consumables	160,634	68,141
Delivery expenses	136,086	215,308
Registration fees	45,863	-
Achievements and awards	25,110	26,915
Valuation roll	9,870	-
Cleaning services - car valet	8,774	2,316
Tollgate fees	30,123	12,898
Entertainment	6,232	14,329
Developers contribution paid	-	19,950,082
	54,608,415	**64,207,544**

38. Finance costs

Non-current borrowings	18,320,393	17,079,523

39. Inventory consumed

Inventory consumed	(17,036,975)	(12,939,255)

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

40. Remuneration of councillors

Councillors and Section 79 Committee Members	7,723,205	7,097,666
Mayoral Committee Members	2,694,890	2,665,270
Executive Major	909,228	870,814
Speaker	728,375	701,929
Chief Whip	404,004	390,173
	12,459,702	**11,725,852**

Remuneration of the Executive Mayor:

Allowance	807,820	590,296
Travel	57,008	196,765
Telephone	44,400	28,800
	909,228	**815,861**

Remuneration of the Mayoral Committee Members:

Allowance	1,887,233	2,213,610
Travel	630,057	737,870
Telephone	177,600	114,000
	2,694,890	**3,065,480**

Remuneration of the Chief Whip:

Allowance	269,703	185,044
Travel	89,901	61,681
Telephone	44,400	22,800
	404,004	**269,525**

Remuneration of the Speaker:

Allowance	646,254	472,235
Travel	41,321	157,412
Telephone	40,800	28,800
	728,375	**658,447**

Remuneration of the Section 79 Committee Members:

Allowance	1,106,460	474,948
Travel	289,760	158,316
Telephone	177,600	45,600
	1,573,820	**678,864**

Remuneration of the Councillors:

Allowance	4,259,297	3,640,299
Travel	1,092,087	1,233,625
Telephone	798,000	535,095
	6,149,384	**5,409,019**

Councillors are remunerated in terms of the Remuneration of the Public Office Bearers Act.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

In-kind benefits

2019

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time.
Each is provided with an office and secretarial support at the cost of the Council.
The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.
The Mayor has four full-time bodyguards.

2018

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time.
Each is provided with an office and secretarial support at the cost of the Council.
The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.
The Mayor has four full-time bodyguards.

41. Grants and subsidies paid

Mayor's Charity fund		
Donations	593,237	275,400

42. Auditors' remuneration

Fees	2,647,144	2,967,073

43. Cash generated from operations

Surplus	37,109,554	50,575,790
Adjustments for:		
Depreciation and amortisation	136,385,457	124,113,943
Loss on disposal of assets	-	(278,535)
Debt impairment	115,670,961	73,894,403
Movements in retirement benefit assets and liabilities	237,125	(617,201)
Movements in provisions	3,333,903	10,464,150
Loss / (gain) on disposal of assets	821,848	-
Other non-cash items	6,316,449	-
Changes in working capital:		
Inventories	(5,658,813)	733,441
Receivables from exchange transactions	(83,838,915)	(78,207,387)
Other receivables from non-exchange transactions	(61,186,007)	(7,924,889)
Trade and other payables from exchange transactions	48,059,766	19,328,019
VAT	(1,455,482)	(9,608,931)
Unspent conditional grants and receipts	10,364,718	1,487,795
Consumer deposits	896,848	1,102,850
	207,057,412	**185,063,448**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

44. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	107,758,181	107,758,181
Cash and cash equivalents	292,899,588	292,899,588
Receivables from-exchange transactions	73,133,587	73,133,587
	473,791,356	**473,791,356**

Financial liabilities

	At amortised cost	Total
External loans / long term liabilities	167,557,335	167,557,335
Payables from exchange transactions	171,910,236	171,910,236
Finance lease obligation	26,512,919	26,512,919
Consumer deposits	17,315,592	17,315,592
	383,296,082	**383,296,082**

2018

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	97,140,576	97,140,576
Cash and cash equivalents	201,984,116	201,984,116
Receivables from-exchange transactions	54,653,662	54,653,662
	353,778,354	**353,778,354**

Financial liabilities

	At amortised cost	Total
External loans / long term liabilities	166,314,609	166,314,609
Payables from exchange transactions	117,285,447	117,285,447
Finance lease obligation	23,922,091	23,922,091
Consumer deposits	16,418,744	16,418,744
	323,940,891	**323,940,891**

Financial instruments in Statement of financial performance

2019

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	31,155,118	31,155,118
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(18,320,393)	(18,320,393)

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
Debt impairment loss	(115,670,961)	(115,670,961)
	(102,836,236)	**(102,836,236)**

2018

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	23,905,917	23,905,917
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(17,079,523)	(17,079,523)
Debt impairment loss	(73,894,403)	(73,894,403)
	(67,068,009)	**(67,068,009)**

45. Commitments

Authorised capital expenditure

	2019	2018
Approved and contracted		
• Property, plant and equipment	100,170,767	12,664,482
Total capital commitments		
Already contracted for but not provided for	100,170,767	12,664,482

Authorised operational expenditure

	2019	2018
Approved and contracted		
• Expenditure	39,682,784	33,999,725
Total operational commitments		
Already contracted for but not provided for	39,682,784	33,999,725

Total commitments

	2019	2018
Total commitments		
Authorised capital expenditure	100,170,767	12,664,482
Authorised operational expenditure	39,682,784	33,999,725
	139,853,551	**46,664,207**

This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, Provincial and National grant funding and developer contributions.

The municipality approved the implementation of the 2019/20 carry over adjustment budget as allowed by section 28 of the Municipal Finance Management Act as well as section 23 of the Municipal Budget and Reporting regulations (projects from the 2018/2019 financial year to be carried over to the 2019/2020 financial year) during August 2019.

Section 28(2)(e) of the MFMA states the following: “An adjustments budget may authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the Council".

Section 23(5) of the Regulations as published in volume 526 of the Government Gazette No 32141 dated 17 April 2009, states the following: “An adjustment budget referred to in section 28(2)(e) of the Act may only be tabled after the end of the financial year to which the roll-overs relate, and must be approved by the municipal council by 25 August of the financial year following the financial year to which the roll-overs relate.”

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

46. Contingencies

Contingent liabilities arising from third party claims and litigation

Name	Case no		2019	2018
			-	-
* RJ Du Toit & A Barzan Boederye CC	28803/2016 0813-12238	Stolen electrical cable resulting in house burnt down	4,500,000	4,500,000
Isreal Bera	138718	A stone hit car during grass cutting	-	-
A Dotterbeck	143711	Car damaged by a rock from a grass cutting truck	-	-
* G Visagie	72730/12 0313-11864	Negligence claim - Son died in explosion of chemicals	-	5,000,000
AN Jwili: DK76BHGP	145110	Former employee injured in a car accident	100,000	-
* Telkom	0116-12622	Telkom cable damaged by council tractor	-	50,000
P Venter	123004	Lack of stop sign or warning of the imminent crossing	71,337	-
* Kubali	0216-12679	Council tractor damaging wall	-	10,000
* M Ganda	0616-12936	Hit the soil heap	-	152,458
TW Peeters	144656	Possible defamation case	10,000,000	-
P van Rooyen	137752	Vehicle damaged due to a ditch excavated and no warning sign	33,603	-
* CF Oberholzer	116204	Vehicle crashed due to high trees next to road	-	33,600
* R Swart	0816-113050	Sewer overflowed	-	10,000
* Mr K Suttie	0416-12812	T/P Property damage	-	32,661
ESKOM - ESA24:F15kom	18234/2011	Supply area dispute - amount unknown	-	-
Telkom SA Ltd	21445/2011	Damages claim	187,785	187,785
T Rego	141118	Vehicle damaged by a pothole	10,040	-
PL Khadebe/Ncube	29665/15	Applied for rescission of judgement regarding transfer of property back into her name - unknown	525,000	525,000
MA Ramaoka	38281/2010	Claim for damages	642,389	642,389
CT Miles	144613	Borehole pump damaged	2,200	-
P du Plessis	138152	A stone hit and damaged third party's vehicle as a result of grass cutting	500	-
SL Jacobs	22470/06	Injury on duty	109,692	109,692
RR Mashego	175/2015	Rescission of judgement - erf 26 Witkop	-	70,000
S Marais	137194	Alleged assault by Fire Officer	800,000	-
			16,982,546	**11,323,585**

* The Midvaal Local Municipality potentially has no financial exposure to R4 500 000 (2018 - R9 788 719) of the above contingent liabilities, as a claim was submitted in terms of the municipality's insurance portfolio.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

47. Related parties

Relationships

Councillors	Refer to note 40
Members of key management	Refer to note 33
Close family member of key management	There were no transactions between close family members of key management
Joint venture of key management	None
Associate of close family member of key management	None
Members of key management	Refer to note on employee related cost for information

Related party		2019	2018
Water Solutions	G Luthuli - Gauteng Department of Social Development and T Zwane - Ekurhuleni Municipality	4,500,000	-
Altimax	FA Henning - Mango Airline: Spouse of a shareholder and HJ De Kock - SITA: Spouse of a shareholder	1,200,000	-
Conlog	N Moodley - Director Department of Health	1,500,000	-
Red Ant Security Relocation and Eviction Services (Pty) Ltd	N Lesiela - Organisational Practitioner for Mogale City Local Municipality- note 1	3,000,000	-
Red Ant Security Relocation and Eviction Services (Pty) Ltd	N Lesiela - Organisational Practitioner for Mogale City Local Municipality - note 2	7,743,864	-
		-	-
		17,943,864	**-**

Note 1 - Red Ant Security Relocation and Eviction Services (Pty) Ltd - rendering of meter reading services.

Note 2 - Red Ant Security Relocation and Eviction Services (Pty) Ltd - disconnection / reconnection of electricity and restriction of water

Related party transactions

48. Prior period errors

Below is a summary of the total effect that the prior period errors had on the amounts previously disclosed in the annual financial statements.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Current assets	Audited balance 2018	Prior period error	Reclassification	Total
Cash and cash equivalents	201,984,116	-	-	201,984,116
Receivables from exchange transactions	97,140,576	-	-	97,140,576
Receivable from non-exchange transactions	54,653,662	-	-	54,653,662
VAT receivable	17,561,738	-	-	17,561,738
Inventories	8,601,317	-	-	8,601,317
	379,941,409	**-**	**-**	**379,941,409**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

Non-current assets	Audited balance 2018	Prior period error	Reclassification	Total
Propery, plant and equipment	2,004,551,613	(1,611,020)	-	2,002,940,593
Investment properties	46,569,574	-	-	46,569,574
Intangible assets	1,027,204	-	-	1,027,204
Heritage assets	18,701	-	-	18,701
	2,052,167,092	**(1,611,020)**	**-**	**2,050,556,072**

Current liabilities	Audited balance 18	Prior period error	Reclassification	Total
Trade and other payables from exchange transactions	117,281,136	(4,311)	-	117,276,825
Unspent conditional gtants and receipts	1,487,795	-	-	1,487,795
Consumer deposits and other deposits	16,418,744	-	-	16,418,744
Long term loans	20,657,274	-	-	20,657,274
Finance lease obligation	7,743,692	-	-	7,743,692
	163,588,641	**(4,311)**	**-**	**163,584,330**

Non-current liabilities	Audited balance 2018	Prior period error	Reclassification	Total
Long term loans	145,657,335	-	-	145,657,335
Finance lease obligation	16,178,399	-	-	16,178,399
Provisions	46,453,120	-	-	46,453,120
Employee benefit obligation	15,524,722	-	-	15,524,722
	223,813,576	**-**	**-**	**223,813,576**

Net Assets	Audited balance 2018	Prior period error	Reclassification	Total
Accumulated surplus	2,044,706,284	-	-	2,044,706,284

Statement of financial performance

Revenue from exchange transactions	Audited balance 2018	Prior period error	Reclassification	Total
Service charges	584,086,364	-	-	584,086,364
Interest received	23,905,917	-	-	23,905,917
Operational revenue	3,957,611	-	-	3,957,611
Sale of goods and rendering of services	24,847,548	-	-	24,847,548
Rental of facilities and equipment	1,345,019	-	-	1,345,019
Gain on disposal of assets	278,532	-	-	278,532
Licences and permits	1,021	-	-	1,021
	638,422,012	**-**	**-**	**638,422,012**

Revenue from non-exchange transactions	Audited balance 2018		Reclassification	Total
Property rates	194,658,467	-	-	194,658,467
Transfers and subsidies	166,113,362	-	-	166,113,362
Fines, penalties and forfeits	34,361,800	-	-	34,361,800
Developers contributions	10,731,103	-	-	10,731,103
	405,864,732	**-**	**-**	**405,864,732**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

Expenditure	Audited balance 2018	Prior period error	Reclassification	Total
Bulk purchases	(347,656,651)	-	-	(347,656,651)
Employee related costs	(225,728,091)	-	-	(225,728,091)
Depreciation and amortisation	(122,502,923)	1,611,020	-	(120,891,903)
Contracted services	(117,701,812)	3,811	-	(117,698,001)
Debt impairment	(73,894,403)	-	-	(73,894,403)
Finance costs	(17,079,523)	500	-	(17,079,023)
Inventory - consumed	(11,725,852)	-	-	(11,725,852)
Remuneration of councilors	(12,939,255)	-	-	(12,939,255)
Loss on disposal of assets	(64,207,044)	-	-	(64,207,044)
Grants and subsidies paid	(275,400)	-	-	(275,400)
	(993,710,954)	**1,615,331**	**-**	**(992,095,623)**

Total revenue	1,044,286,744	-	-	1,044,286,744
Total expenditure	(993,710,954)	1,615,331	-	(992,095,623)
Surplus for the year	**50,575,790**	**1,615,331**	**-**	**52,191,121**

Non-current assets:

Below is a summary of the total effect that the prior error of comparatives had on the amounts previously disclosed in the annual financial statements:

Property, plant and equipment	Audited balance 2018	Prior period error	Reclassification	Total
Community	91,241,171	(9,782)	-	91,231,389
Furniture and fittings	4,277,200	(24,629)	-	4,252,571
Infrastructure	1,699,804,326	(1,558,597)	-	1,698,245,729
IT equipment	5,622,318	8,402	-	5,630,720
Land	116,879,754	-	-	116,879,754
Machinery and equipment	9,836,031	(1,499)	-	9,834,532
Motor vehicles - leased	31,491,220	(49,474)	-	31,441,746
Motor vehicles	9,899,310	49,472	-	9,948,782
Other assets	35,500,283	(24,913)	-	35,475,370
	2,004,551,613	**(1,611,020)**	**-**	**2,002,940,593**

Investment property	Audited balance 2018	Prior period error	Reclassification	Total
Investment property	46,569,574	-	-	46,569,574

Intangible assets	Audited balance 2018	Prior period error	Reclassification	Total
Computer software	1,027,204	-	-	1,027,204

Heritage assets	Audited balance 2018	Prior period error	Reclassification	Total
Heritage assets	18,701	-	-	18,701

Total non-current assets	Audited balance 2018	Prior period error	Reclassification	Total
Property, plant and equipment	2,004,551,613	(1,611,020)	-	2,002,940,593
Investment property	46,569,574	-	-	46,569,574
Intangible assets	1,027,204	-	-	1,027,204
Heritage assets	18,701	-	-	18,701

Notes to the Annual Financial Statements

Figures in Rand				2019	2018
	2,052,167,092	**(1,611,020)**		**-**	**2,050,556,072**

The amount for the provision for the receivable from exchange transactions for 2018 was changed as the amount included non-exchange transactions as well. Amounts changed as follows: R125 239 485 changed to R 87 839 017 - note 4.

The amount for the RDP Houses for 2018 changed as follows - note 9.

RDP Houses	Audited balance 2018	Prior period error	Total
RDP Houses	32,400,000	(16,200,000)	16,200,000

49. Comparative figures

Certain comparative figures have been reclassified.

Comparative figures have been reclassified to conform to changes in Property, plant and equipment. Refer to note 48 for detail.

	Prior period error
Decrease Property, plant and equipment (SoFPos)	(1,611,020)
Decrease Trade and other payables from exchange transactions (SoFPos)	(4,311)
Increase Depreciation and amortisation (SoFPer)	1,611,020
Increase Contracted services (SoFPer)	3,811
Increase Operating costs	500
	-

50. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2019	**Less than 1 year**	**Between 2 and 5 years**	**Over 5 years**
Trade and other payable from exchange transactions	171,910,236	-	-
Long term loans	24,022,718	95,682,702	47,851,915
Consumer deposits	17,315,592	-	-
Finance lease obligations	7,623,583	18,889,336	-

At 30 June 2018	**Less than 1 year**	**Between 2 and 5 years**	**Over 5 years**
Trade and other payable from exchange transactions	117,281,136	-	-
Long term loans	20,657,274	101,421,648	44,235,688
Consumer deposits	16,418,744	-	-
Finance lease obligations	7,743,692	16,178,399	-

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating,risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the municipality.

Financial instrument	**2019**	**2018**
Cash and cash equivalents	292,899,588	201,984,116
Receivables from exchange transactions	107,758,181	97,140,576
Receivables from non-exchange transactions	73,133,587	54,653,662

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality’s income and operating cash flows are substantially independent of changes in market interest rates. Loans are taken at fixed interest rates to minimise interest rate risk.

51. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R 2,080,200,496 and that the municipality's total liabilities exceed its assets by R 2,080,200,496.

The ability of the municipality to continue as a going concern is based on liquidity factors in the absence of any other factors that pose a threat to the municipality's going concern.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

At 30 June 2019, the following liquidity ratio's were measured in terms of MFMA Circular 71 and it was concluded that there are no indicators that treathen the going concern principle:

- Current ratio 3.60(2018:2.30)
- Cost coverage 5.07 months (2018: 2.19 months)

52. Events after the reporting date

Fruitless & Wasteful Expenditure were identified during July 2019 totalling R134 652 in respect of penalty for late payment to the Office of the Compensation Commissioner.

Advertisements for members to apply for the appeal board was done by the Department of Cooperative Governance & Traditional Affairs (COGTA). Appeal board members were appointed by COGTA and sent to Council for notification. The appeal process is a very lengthy process and only started in the 2018/2019 financial year during the month of June 2019. Only 18 appeals were dealt with and completed amounting to R28 622 000. The remaining 29 appeals will be dealt with in the 2019/2020 financial year.

53. Unauthorised expenditure

Unauthorised expenditure	-	4,428,586

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

2018
The municipality's movement on the capital expenditure related to the provision for the rehabilitation of the landfill sites was R7 428 586 and the budget was only R3 000 000. This unauthorised expenditure is a non-cash expendure item and is a result of the unpredictability of the annual actuaral valuation (R4 428 586).
A mid-year valuation was done and the budget was set accordingly. At the end of the year, the actuary worked on the SGsurvey to determine the used portions of the landfill site and not on the engineering estimate as in the past and the final provision was therefore higher than anticipated.

54. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	26,000	-

2019
Training was paid to a service provider before all the required deliverables were met. The relevant offical took full responsibility and accountability for the expenditure incurred and untook the to pay the amount to Council.

2018
No fruitless and wasteful expenditure was recorded in the 2017/2018 financial year.

55. Irregular expenditure

Irregular expenditure identified	143,027	258,972

Details of irregular expenditure – current year

-

2019
Irregular expenditure amounting to R143 026.65 during the 2018/2019 financial year was reported to Council on 22 June 2019 and it was referred to MPAC for further investigation.

2018
The following amounts were regarded as irregular expenditure in the 2017/2018 financial year:
R152 313.82 - Sanitech
R106 658.40 - NDK Valuers

56. In-kind donations and assistance

2019

The municipality did not receive any in-kind donations and assistance in the 2018/2019 financial year.

2018

The municipality did not receive any in-kind donations and assistance in the 2017/2018 financial year.

57. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	3,073,792	2,938,053
Amount paid - current year	(3,073,792)	(2,938,053)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

Audit fees

Amount paid - current year	2,647,144	2,967,073

PAYE and UIF

Amount paid - current year	38,989,300	32,167,725

Pension and Medical Aid Deductions

Amount paid - current year - pension	44,474,430	39,447,301
Amount paid - current year - medical	24,291,720	21,135,801
	68,766,150	**60,583,102**

VAT

VAT receivable	19,017,220	17,561,738

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor A Tsukudu	2,626	114	2,740
Councillor J Mabaso	4,225	5,581	9,806
Councillor ML Modikeng	11,964	8,926	20,890
	18,815	**14,621**	**33,436**

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor A Tsukudu	166	-	166
Councillor SMA van Rensburg	338	-	338
Councillor Mahlunga	4,823	848	5,671
	5,327	**848**	**6,175**

58. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	196,076,597	190,236,700
Used to finance property, plant and equipment	(186,181,026)	(181,285,029)
	9,895,571	**8,951,671**

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

59. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

The majority of items mentioned had to be addressed in short notice and the response times did not allow for the complete procurement process to be followed. The balance of items were due to emergency circumstances or uneconomic benefits for the municipality.

Class	2019	2018
Emergency	275,985	9,905,751
Sole providers/Accredited agents	679,308	3,579,284
Impractical or impossible to follow the process	10,200,001	21,423,269
Minor breaches	-	171,338
	11,155,294	**35,079,642**

60. Unaccounted water and electricity

Electricity	Technical loss / Non technical loss 2018/2019		
	Units	Amounts	Percentage
Technical loss	15,917,105	15,637,659	6.00 %
Non technical loss	16,553,789	16,263,165	6.24 %
	32,470,894	**31,900,824**	**12.24 %**

	Technical loss / Non technical loss 2017/2018		
	Units	Amounts	Percentage
Technical loss	15,656,093	14,474,411	6.00 %
Non technical loss	13,464,240	12,447,994	5.16 %
	29,120,333	**26,922,405**	**11.16 %**

Year	Units purchased	Units sold	Loss in distribution	Percentage
2018/2019				
Units	265,225,242	232,754,349	32,470,894	12.24 %
Amount	260,568,859	228,668,035	31,900,824	
2017/2018				
Units	260,903,104	231,782,771	29,120,333	11.16 %
Amount	241,210,801	214,288,397	26,922,405	

The unit sold amount is calculated according to the unit purchased amount.
Technical losses are due to distribution losses.
Non-technical losses are due to illegal connections and theft.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

Water	Technical loss / Non technical loss 2018/2019		
	Units	Amounts	Percentage
Technical loss	1,864,827	17,287,309	13.54 %
Non technical loss	1,860,942	17,251,294	13.52 %
	3,725,769	**34,538,603**	**27.06 %**

	Technical loss / Non technical loss 2017/2018		
	Units	Amounts	Percentage
Technical loss	1,860,029	15,329,276	14.40 %
Non technical loss	1,856,154	15,297,340	14.37 %
	3,716,183	**30,626,616**	**28.77 %**

Year	Units purchased	Units sold	Loss in distribution	Percentage
2018/2019				
Units	13,770,359	10,044,589	3,725,769	27.06 %
Amount	127,653,886	93,115,283	34,538,603	
2017/2018				
Units	12,915,966	9,199,783	3,716,183	28.77 %
Amount	106,445,849	75,819,234	30,626,616	

Technical losses are due frequent burst pipes, high pressure in the system and reservoir overflows.
Non-technical losses are due to illegal connections.

61. Budget differences

Material differences between budget and actual amounts

The total expenditure for the year was less than the approved expenditure budget. Refer to the statement of comparison of budget and actual amounts for additional information.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.